

# IDEALS AND INDUSTRY



IDEALS AND INDUSTRY  
*WAR-TIME PAPERS*

BY  
THE LATE  
SAMUEL COURTAULD



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## PREFACE

THE papers in this book are primarily concerned with the internal and the external relationships of industry: the relationship of employers and employed, and the relationship of industry as a whole with society. This might suggest, to a reader who allowed his eye to pass hastily over the Table of Contents, an almost technical limitation of subject. It is to correct this impression, and to show how intimately Samuel Courtauld's thought on industry was related to other aspects of his life, that I write a preface for which, if his subject had been technical only, I should be altogether unqualified.

As it is, I have the qualification of a friend who, a stranger to industrial life in all its aspects, learned from the writer himself in what spirit these papers are to be read. They were not, for him, the pronouncements of a man of power or, even, of an expert. His attitude towards them precisely corresponded with his attitude towards his too infrequent writings on pictures. On industry and on art, he had, by reason of his experience and of the positions he held, great authority, but it was not as an authority that he wished to speak. To account for this by saying only that he was modest would be to miss the point.

It is true that, as schoolboys might say, no one threw his weight about less than he, but he was by no means timid of his own judgements when once he had patiently spun them out of his own taste and conscience. He abstained from imposing them on others by any tone of authority, not because he was a modest self-doubter, but because his judgements on politics, on industry, on art, were, for him, but parts of a greater judgement to which human authority

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might not pretend. He was a perpetual student of what Bridges meant by the Spirit of Man, and *The Testament of Beauty* was never far from the reach of his hand. His quest of this humane spirit and of the divine mystery sometimes appearing to him in it and through it, governed all his thought on art, on human relationships, and on death.

For this reason, to take a simple instance, the phrase 'labour management' was obnoxious to him, though in the following paper on that subject his spiritual reasons for disliking the term are not expressed. Again and again he will be found, in different contexts, deploring the impersonalization of industry and at the same time issuing warnings against the danger of what he calls 'snooping' into the private lives of factory workers. Other great industrialists have spoken in the same sense, and Sam Courtauld knew that on paper much of what he said might seem commonplace. He was, indeed, astonished by the effect his speeches made. To those who heard him, certainly to those who knew and loved him, and perhaps, now, even to strangers who read these speeches collectively, and read the man within them, the effect is natural enough. He disliked the phrase 'labour management', not for the conventional reason that it was tactless, but because it implied categories which seemed to him false. The division of men into such categories—of Labour, of Capital, of Management—might be, up to a point, an administrative convenience for the common benefit, but if it should become a stiff division of thought, if it should lead to men's thinking of themselves and of others as functional units in a group and not as individual spirits, then the administrative convenience must become a curse.

This regard for men and women as private beings lay at the root of what Sam Courtauld called his 'progressive'

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views. It differentiates them from the 'progressive' views of materialists and explains what he had in mind when he wrote: 'In part my notes are directly drawn from business experience; in part they represent convictions derived indirectly from that experience and coloured by ideas of a more general nature.' These ideas 'of a more general nature' gave character and power to his speeches when he himself delivered them. He had the genius, which meditation and simplicity sometimes give, of communicating a selfless faith underlying his debatable opinions. So it was in his friendship and conversation, which, in a fierce world, had an extraordinary quality of peace and reassurance.

I can give no more than a personal impression of that quality.

During an interlude in my work at the Admiralty, I stayed with Sir Osbert Sitwell at Renishaw and found Sam Courtauld among my fellow-guests. He was interested in a book in which I was interested and particularly in its treatment of love, art and death as aspects of the same ecstasy. He had written a detailed critical analysis of it—not a vague expression of opinion, but a self-testing and precise analysis accompanied by diagrams—and his writing was the basis of our first far-ranging discussions. Even then, I was held less by the acuteness of his perception and the force of his judgement than by the inexpressible pleasure of being in his company. He was kind, unpretending, unspectacular, wise; he had the gift of pooling knowledge and interests; as he never talked to me of business, his subjects were my own; he was never cruel, never 'smart', never, in the sense which paralyses me, clever. I can give a thousand reasons for the harmony between us, but none of them explains the sense I had instantly, and have still as I write

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though he is dead, of the existence, within the visible and tangible man, of an interior grace.

This sense increased continually during the few years that remained. At first, and for the many months of war, only one room in his house in North Audley Street was kept open. We would meet there at the end of a day's work, talk a little, go out to dine, return and talk again until it was time for him to go into the City to sleep and for me to go home. I asked him once if he was comfortable, sleeping over his office. He said there was only one disadvantage: a caretaker anxious that the Chairman's bedroom should not be bare, had, in the kindness of her heart, hung in it a chromolithograph of—of what?—of *The Monarch of the Glen*, perhaps, or of *Dignity and Impudence*. If it troubled him, I asked, might it not be discreetly removed? No, he said, to take it down would hurt her feelings.

From his own house, all the great pictures were gone into the country for safety from bombs; only a few reproductions remained; but, when the war ended, one of the blessed assurances of its end was the reappearance of the originals—of Renoir's *Le Printemps* over the mantelpiece, of the *Yellow Boat* downstairs, of the Cézannes, and Manet's street-scene, and Lautrec, and my beloved drawing by Ingres. To talk to Sam Courtauld about painting was to talk to him of much more than painting. In this, as in all else, he repudiated the idea of his being an authority, an 'expert'. The result was that, though he would defend the early Renoir against those who preferred the later, he brought to the argument, while it continued on a 'technical' level, an open-minded freshness, but was always happiest when discussion moved away from an artist's method to his inspiration and the idea within a particular picture. So it was with a book or a sonnet or a friend or a political or industrial policy. He went always beyond the thing or the person or the effect to

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the ideas within them, seeking to discover—and to respond to—that essence of them without which they would not be. A month before he died, he gave to a few friends a privately printed volume, called *Pictures into Verse*, in which his everlasting quest of the essential beauty of beautiful things was exemplified. He had chosen and reproduced certain pictures he loved, and had ‘tried to record the personal and purely subjective impressions which have taken form in my own mind when I have set my imagination free before these cherished treasures’. The verses prove him to have been what he continually said he was not—an artist. They are finely wrought; they have a splendid gravity; they contain passages of rare illumination; and they are, above all, his own.

Although our conversation was never of business and, for all he said to me on the subject, I might scarcely have known that he was Chairman of Courtaulds, we often spoke, in differing contexts, of the responsibility of each man in society—of an artist’s responsibility, for example, or an industrialist’s, or a wage-earner’s; and we agreed, in these discussions, to resist the common error of supposing that any man was to be thought of, or was to think of himself, as existing only or chiefly in one of these capacities. To say or think of oneself ‘I am an artist’ or ‘I am an industrialist’ or ‘I am a working-man’ was to over-simplify, and to allow the arteries of thought to harden. The interest of life consisted in its opposed stresses—stresses arising in the same man from the fact of his being at the same time many men, with responsibilities, pleasures, duties and privileges proper to each of his many capacities; and the goodness of life consisted in a man’s power to preserve and recognize these various stresses within himself and to discover (and re-discover continually) an equilibrium among them. From

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this it followed, for Sam Courtauld, that, as he was not only or chiefly 'an employer', so the men and women he employed were not only or chiefly 'employees'. To think of himself or of them in that way was to commit the sin of allowing imagination to stagnate.

His belief that to do this was a cardinal sin informs all the papers in this book because it informed his life. It lay at the root of his industrial policy, of his personal behaviour, and of what has been called his "patronage" of art. To think, in a vaguely philanthropic way, that it is useful to make great pictures available to the public is one thing, but Sam Courtauld's thought on this subject was another. It was not vague; it was not, in the dusty, informative sense, educational. Nor was it dully egalitarian; he is by no means to be thought of as a rich man disembarassing himself of great possessions. His idea was clear, positive and passionate. It was this: That the human imagination (his own, for example, and, therefore, yours and mine) has a tendency to stagnate; that this stagnation, or freezing up, is a kind of spiritual death in men, in classes, and in nations; that art in all its forms has a power to renew our imaginative life, but that this power is effective in us only if we are capable of yielding to it, and do not, in ignorance or fashion or prejudice, harden our hearts. This capacity in us to yield to art, a capacity which may, or may not be developed by connoisseurship, but certainly is not connoisseurship; this gift of receiving art into ourselves, of being impregnated by it, is what he meant by artistic appreciation. Therefore he established the Courtauld Institute, enabled opera and chamber music, and gave his pictures—I will not say 'to the Nation' but rather to each man or woman or child who, coming upon one of those pictures by chance, might be prompted, not only to admire or praise or enjoy it as a thing observed, but to receive it inwardly, to be pierced by its



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arrow, to discover in its life a renewal or unfreezing of life's imaginative stream. His desire was not to make connoisseurs of the general but that each of us should transmute Cézanne or Manet or Renoir into the poetry of his or her private life. *Pictures into Verse* was the title he chose for his privately printed volume. 'Art into Life' might well describe the alchemy of his mind.

Before he died the alchemy<sup>^</sup> was wonderfully complete. Some time earlier, he had been ill and had recovered. He had come so near to death that he was aware, after his recovery, of having been outside his body, and the experience continued in his recollection, giving him, in the noblest sense, lightness of heart—that lightness of heart consistent with melancholy, which Mozart expressed in G minor.

During his last summer, when he and I were alone at Gatcombe, I knew, as we walked in the woods or beside the lake, or sat on the evening lawn that overlooked his valley, that he did not want to go. Earth held him by her beauties, life by her opportunities. He was still eager to try, to taste, to experiment, to test his powers. Pictures, newly bought, were arriving in packing-cases. Like a boy, he could not wait to uncover them, and we were soon on the floor with pliers and chisels. When the pictures were hung, he visited them continually, learning them, interpreting them, renewing himself in them, and among the last and the happiest of our many discussions was a discussion of the sonnet form, for he was writing a sonnet on one of his pictures, and every evening would show me a revision of it. He was happy; he did not want to go; and yet, knowing in his heart that he must go soon, was at peace. The stresses that were, for him, the variety and the delight of being alive, persisted. He was ardent still, nothing was dulled; but he had found

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an equilibrium of his being—an equilibrium to which, a perceptive reader may think, the quiet wisdom of this book marks his approach. No one can read these pages without feeling that they drain away poison from the controversies they touch, or without pleasure in the speech of a man so various, so temperate, and so profoundly humane.

CHARLES MORGAN

## INTRODUCTORY AND BIOGRAPHICAL NOTE

I N the autumn of 1941 the late Mr Samuel Courtauld accepted an invitation to comment on industrial reconstruction to a Conservative Party Committee appointed to consider post-war problems. Although the document which he wrote was more in the form of a series of fundamental questions than a statement of views, the late Lord Keynes asked Mr Courtauld if he might publish it almost unaltered in the *Economic Journal*, where it accordingly appeared in April 1942.

The article immediately aroused widespread attention, was reprinted as a booklet, and engaged the author in a great deal of correspondence over a long period, in the course of which he was invited by many societies to address them on the subjects with which it dealt and on kindred matters.

Mr Courtauld had only infrequently spoken in public, yet it was clear to him that among thinking people there was considerable interest in his views and that little but good could come from his declaring them more positively and at greater length than he had done for the purpose stated. Moreover, at a time when younger men were overwhelmingly concerned with the prosecution of the war he felt that consideration of post-war needs should not be neglected and that here was a matter in which he personally might be useful. These considerations overcame his customary reticence, and from the summer of 1942 until early in 1944 he addressed numerous meetings.

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The circumstances of the time stood in the way of these addresses coming to the attention of many people other than the audiences to whom they were delivered. Only relatively few had the opportunity of acquainting themselves with the views, based on many years' experience, which he embodied in these talks. It was not unnatural, therefore, that after his death in 1947 the suggestion was made that a selection of these papers should be made available so that his inspiration might influence the thoughts and actions of all engaged in the task of national reconstruction. This proposal was agreed to by members of his family and by the Board of Courtaulds, Limited.

It has been decided to include the notes which appeared in the *Economic Journal*, although it will be seen that the thoughts expressed in the later addresses were of a more mature and positive character. It will also be appreciated that some of the ideas are reiterated in the course of the various papers, which were given by Mr Courtauld before a number of different bodies.

Samuel Courtauld was born in 1876. He was the second son of Sydney Courtauld and Sarah Lucy Sharpe of Bocking Place, Braintree, Essex, and grandson of George Courtauld, one of the original members of the family business founded in 1825.

He was educated at Rugby and then went to Crefeld to study the manufacture of silk fabrics. In 1898 he joined the family business as assistant to the manager of the dyeing and finishing factory at Bocking, and in 1901 became manager of the Halstead silk-weaving mill. In 1908 he was appointed General Manager of all the firm's textile mills, which were then engaged in processing and weaving their first viscose rayon yarn. His election to the Board of Directors in April 1915 was followed in 1916 by his appointment as a

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Joint-Managing Director. On the death of Mr H. G. Tetley in 1921, he was made Chairman of Courtaulds, Limited, and held that office for twenty-five years until he resigned in October 1946. In addition to the many responsibilities connected with his Chairmanship of the main Board, he took an active part in the affairs of the allied and subsidiary companies of Courtaulds.

In 1901 he married Elizabeth Frances Theresa, only daughter of Edward and Harriet Kelsey. They had one daughter.

Samuel Courtauld shared his wife's intense passion for music; and she shared his great interest in pictures. In 1923 he created and financed a trust fund to enable the Tate Gallery to purchase important examples of the French Impressionist paintings; he had himself begun to collect these after the 1914-18 war. That fund bears his name.

During the seasons 1925-7 he was associated with Mrs Courtauld in the direction of the Covent Garden Opera, and after her death he carried on the Courtauld-Sargent concerts which she had founded. These concerts considerably raised the standard of orchestral playing in London and also enabled organized groups of working people to hear good music at prices which they could afford.

Mrs Courtauld died on 25 December 1931, and in 1932 Mr Courtauld handed over their home, 20 Portman Square, to London University as a memorial to her. It is now the Courtauld Institute of Art. The Institute houses some of the French Impressionist pictures which he made over to the Trustees in 1932, and it has recently benefited to a considerable extent under his will by further gifts of pictures and drawings. These include works by Renoir, Manet, Cézanne, Seurat and Van Gogh.

During the time he was a Trustee of the National Gallery, Mr Courtauld twice held the office of Chairman. He was

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also a Trustee of the Tate Gallery from 1927 to 1934, and from 1935 to 1937. Besides being a member of the Management Committee of the Warburg Institute (London University) and of the Art Panel of the Arts Council of Great Britain and Northern Ireland, he was President of the Association of Art Institutions from 1943 to 1947.

The Roffey Park Rehabilitation Centre, King's College of Household and Social Science (London University), the Christian Frontier and the Marriage Guidance Council were among the bodies in which he took an active interest, and with which he was associated in different capacities.

He was a Visiting Fellow and Trustee of Nuffield College, Oxford, as well as being a Trustee of the Houblon-Norman Fund created by the Bank of England in 1944 to promote research in economic and social science. He was also a member of the Committee which led to the formation of the British Institute of Management, a member of the Industrial Advisory Panel of the Finance Corporation for Industry Limited, and President of the British Rayon Federation from 1943 until 1947.

Mr Courtauld was given the Honorary Degree of Doctor of Literature by London University in 1931, and was made an Officer of the Légion d'Honneur by the President of the French Republic in 1933 for his services to French Art.

He died on 1 December 1947.

# I

## GOVERNMENT AND INDUSTRY: THEIR FUTURE RELATIONS<sup>1</sup>

I HAVE written the attached notes in response to an invitation to jot down some of my ideas on the post-war reconstruction of industry; they are my personal opinions, and do not necessarily represent the official views of the Company with which I am associated. They do not pretend to be a complete picture; I have said very little on some of the obviously most important issues. In part my notes are directly drawn from business experience; in part they represent convictions derived indirectly from that experience and coloured by ideas of a more general nature.

I believe that the time is ripe for a review of the principles and bases of industry, that my 'progressive' views (for want of a better word, for I mistrust slogans) are shared by many business leaders, and that they are by no means confined to the younger generation. I detect several deep converging currents of feeling:

First, industrialists are invaded to-day by a growing sense of the inevitability of change, which they accept without bitterness.

Second, there is a truer patriotic feeling, arising from a conscious respect for British ideals and the progressive gains of the past in which all classes have had a hand.

Third, a reawakening of conscience: they ask themselves what they have done to earn past privileges, and what they are doing in return for them to-day. An industrial

<sup>1</sup> First printed in the *Economic Journal*, April 1942.

career is now a *métier* and not merely a road to private acquisition.

Fourth, a growth of real fellow-feeling with the lower ranks of industry, who, by the spread of education and the amenities of modern civilization, have come to share the sensibilities and aspirations of those placed above them.

For all this, the leaders of industry are not likely to be stampeded into throwing everything overboard, for they have a firm faith in many enduring principles without which there is no possibility of sound rebuilding.

Though some of my propositions are posed as questions (and to some of my questions I have no answer to suggest), I think the general tendencies of my thought will be clear. I start with a few main assumptions which I am convinced are justified:

- (a) Production is the most vital activity of the nation.
- (b) Government control has come to stay. With the growth and progressive combination of industries until their boundaries are practically conterminous with those of the nation, it is the duty of the Government to take power to control them, for no Government can tolerate the existence within its borders of an organized and completely independent power with a radius of action as wide as its own. The same overriding principle should apply to trade unions as developed to-day. It follows from this that the Government must also 'plan' further industrial growth.
- (c) Government bureaucracy as it exists in this country has proved itself incapable of conducting business efficiently. If it is to take any part in the running of business, it must be reformed radically.
- (d) Labour is going to share more and more in the management policy and rewards of industry. The trade unions will represent Labour for a long time to come.



## MATTERS OF NATIONAL CONCERN

(e) Gambling in industrial counters is a malignant disease for industry itself.

(f) The English genius for social evolution and for compromise can find a middle way, between pure Individualism and pure Socialism, which will bring the greatest attainable good to the nation. This road will shift progressively in a direction which will leave more and more vested interests out in the cold. Unless the men in possession are prepared to adapt themselves and compromise, there is no alternative to a complete socialist revolution.

The relations between Government and Industry are matters of the utmost national importance; it is for the nation, and not for Industry itself, to indicate in advance the main lines of the policies desired. Until this is done it is useless to ask advice on matters of detail. Among the broad questions involved are:

- (i) Fiscal policy—i.e. Free Trade or Protection. Subsidies, including export subsidies.
- (ii) Government ownership and government control. Industry's representation *vis-à-vis* Government.
- (iii) Rights of Labour. Their voice in control and management.  
Wages, family allowances, security, etc.
- (iv) Industrial planning:
  - (a) Geographical.
  - (b) Human. (The latter including technical education.)
- (v) The protection of consumers.
- (vi) The control of speculation.

Highly technical questions are:

- (vii) The taxation of Industry.  
Limitation of profits; depreciation; research expenditure.

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(viii) Equalization of rates. (This is closely wrapped up with the question of rents.)

(ix) Patent Law.

Another broad question to be considered, which should involve no political prejudice, is:

(x) Whether selling and distribution cost too much to-day.

To begin with, it must be clearly recognized that the interests of finance are not identical with those of productive industry. Manufacturers feel that financial institutions are paid too highly for the functions they perform, and that they frequently resemble bandits levying toll in a narrow defile through which all traders are bound to pass. Manufacturers' interests are also opposed to those of landlords; they are often handicapped by inequitable rents.

While manufacturers are apt to look on these two classes as their hereditary enemies, they have to maintain a working alliance with the distributing trades. Nevertheless, the immediate interests of distributors, especially on the question of Free Trade, are often directly opposed to theirs.

All four classes—producers, financiers, landlords and distributors—may, as capitalists, have a broad objection to socialist theory, but the interests of the other three often run directly counter to those of producers as such. Advisers upon the relations between Industry and Government must be careful to deal with productive industry as something entirely different from these other interests; they must not be confused for a moment, though obviously they will often have to be viewed together, seeing that they impinge and clash at many points.

## SOME FUNDAMENTAL QUESTIONS

### I

Fiscal policy. Are we to have Free Trade or Protection or a mixture of both? The manufacturer *pur sang* would obviously like enough Protection to exclude all imported manufactures. He can hardly judge this question objectively.

Is the Government to subsidize any industries as industries? The manufacturer again would like subsidies without liability or control. Are exports to be subsidized? If they are subsidized by a trade, that trade can only recoup itself by raising prices to the home consumer, and it is unfair to penalize any particular class of consumer for a national object. Export subsidies, if decided upon, should be paid for out of the National Exchequer, with due regard to the fact that increased turnover reduces the manufacturers' costs, and if not balanced in some way will increase their profits.

The U.S.A., Germany, Italy, France and Japan have all subsidized exports in recent years in one way or another, and so has England. A direct and declared Government subsidy is far preferable to a hidden subsidy contrived by some indirect arrangement with an industry. Secrecy adds greatly to the difficulties of all classes of traders, whether allied to or competing with the recipients of the subsidy; not to mention that it is a dishonest international manoeuvre.

### II

Government ownership and government control. Should any industries be state-owned?

Should the State own, or run, the railways? There is a good deal to be said for nationalizing transport. The railways have been largely amalgamated in recent years, but there is still too much overlapping, and it might be better that a close network covering a small country like Britain

should be under one ownership. Such a vital monopoly as this could only be entrusted to the Government, and, moreover, railways have shown so few signs of progress and initiative for the last sixty years or so that there seems to be little valuable of that kind left among them to be killed.

The State already owns the biggest share of the capital invested in road transport—that is, in the roads themselves. Even if it is not to own the road vehicles, the State should at least control their rates, fares and running schedules much more closely, and it should equalize the financial burdens (capital charges, rates, taxes, etc.) of road and rail transport.

Should the State take over any other public utilities? Or any productive industries? (Coal mines?) If the State decides against further state ownership of industry, what about more government control?

Clearly, if the State subsidizes an industry in any way, it is entitled to look after the spending of its money. Protection itself is a kind of subsidy at the public expense, and a protective system gives the State the right just mentioned. It might be argued that it does more: that it imposes an obligation. Apart from this obvious argument, it may well be said that industries of many kinds have grown so large and all-embracing to-day, and that, willy-nilly, they affect the well-being of the whole community to such a wide extent, that it is the duty of the Government to control them with the utmost vigilance, and even to give them direct orders in crises other than war.

How can state control be exercised wisely? One obvious suggestion is the appointment of government directors to the boards of all companies above a certain size, and possibly to group smaller businesses together in some way for the same purposes.

Will industrialists object to more government control, and if so, why?

## OBJECTIONS TO STATE CONTROL

1. First and foremost they will object strongly to official interference with their executive functions and to 'Treasury' delays in coming to financial decisions and settling policy generally. They have had such a disheartening experience of the dead hand of Whitehall during the past two years that they will be even more apprehensive on this score than they were before the war. On the other hand, they know that some form of government control will be necessary in the post-war reconstruction period, and most of them think that it has come to stay whether they like it or not. I do not think, therefore, that there will be much obstructive opposition to the principle of control itself, but there will rightly be the greatest possible suspicion of the forms which it may take. If the Government, though armed with overriding control, did not in fact interfere with the day-to-day running of business any more than shareholders now do, I believe that the best business executives from the top down would not object to the change. With the same proviso, some of them would not really object to government ownership.

2. Industrialists would fear—perhaps needlessly—that the government link would give greater opportunities for graft—not by government servants, but because government servants are apt to be so easily hoodwinked by crooks. English industrialists have a horror of political-business corruption in the U.S.A. (where industry, by the way, is far more closely identified with Wall Street than it is here with the City).

3. Apart from financial corruption, industrialists would bitterly resent business decisions being influenced by party motives of any kind—and would be especially suspicious of the connexion between wages and votes.

Who should represent Industry *vis-à-vis* the Government? If the State is to take a closer control of industry because this is a great national interest which cannot be allowed to go its

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own way unaided and unchallenged, the State must satisfy itself that the appointed representative bodies of industry do in fact represent it properly. It may be said that it is the business of employers, and workers too, to choose their own representative bodies, but the State has every right to examine the credentials of these and to see that they represent completely what is of most value in the great national industrial asset.

Employers are not by any means always well represented by their existing Associations, many of which are quite out of date and ineffective. They were created long since to meet conditions now vanished, but they are very difficult to replace or reconstruct, and they still hold the field—especially in government eyes—by virtue of their official titles. Even the Federation of British Industries, which is the principal employers' organization dealing with the Government, is a very lop-sided affair, because it is debarred from interesting itself practically in all questions of wages (which are left in the hands of the British Employers' Confederation), and consequently all its dealings and discussions with or about Labour tend to be purely academic. If the F.B.I. is to be the central body fully representing employers—and there should be only *one* supreme organization—steps should be taken to abolish this anomaly, so as to make it an all-embracing live body.

### III

Should Labour have any voice in the direction of industry? Labour might be represented on the boards of companies as well as the Government. Things have already moved some way in this direction, and I doubt whether the younger generation of directors and managers would fear it much; they would be infinitely more suspicious of Whitehall bureaucracy. But the question of who was to appoint or

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elect the Labour representatives on the boards of companies would be a very difficult one.

Why should not workers be allowed to become acquainted with the finance which lies behind the undertakings they work for? Such an innovation might smooth the way for profit-sharing schemes, which many employers approve of in principle, but which have been blocked by trade union coldness, if not by their active opposition.

It has often been said that the first need of Labour and the first way in which it should increase its share of the financial rewards of industry is adequate financial security for old age and illness. This means, in effect, far more liberal pensions. Government pensions to-day are niggardly, and many employers supplement them largely. A choice would have to be made between a huge increase in government pension costs and liberal compulsory insurance by industries. Industrial pension schemes could only be said to meet the case when they had accumulated sufficient reserves to be actuarially sound and these were legally protected against business failures and other inroads. I believe it to be true that the haunting fear of illness and old age is the deepest-seated cause of industrial discontent.

Manufacturers, while approving of collective bargaining and outside Labour organizations in principle, are frequently very suspicious of trade unions, and feel rather hopeless about ever being able to deal with them with much mutual satisfaction, because of the frequent irresponsibility and lack of discipline within the unions themselves. But it is fairly safe to make the generalization that the more educated an employer is, the more he sympathizes with the claims of Labour and the more easily he overlooks excesses due chiefly to ignorance.

I have suggested, in connexion with industrial combines or monopolies, that no Government can tolerate

a free and irresponsible *imperium in imperio*, whose boundaries are practically conterminous with its own. Such powerful organizations must be under acknowledged government control, though the Government need not step in unless the public interest is endangered.

Trade unions as a whole form another kind of nation-wide organization whose interests are not necessarily identical with the national interest. They have very wide powers, and their position is in some ways privileged, but their responsibilities are also enormous, and Parliament must see that this position is not abused, and that trade unions are in no way above or outside the law. Agreements between employers and trade unions should be legally ratified and legally enforceable: what is more, they should be *enforced* impartially and effectively. This implies that such agreements must be reasonable and equitable, and if the Government is to enforce them, it must see that they are fairly drawn up. This cuts both ways.

The relative merits of a horizontal (i.e. craft union) structure and a vertical (i.e. industrial union) structure are very difficult to judge. Again, should trade unions be nation-wide or should they represent districts? The present position is chaotic, with much overlapping and competition.

Is it possible to equalize wages within an industry? Or within districts? Or throughout the whole country? Varying rates of wages for the same job carried out under parallel conditions of working and living are manifestly unfair to workers and employers alike. Yet trade unions often tolerate gross inequalities, and their guiding principle seems to be to demand the highest wages from the most successful firms and to press them for more still, even if they are already paying more than their competitors. There is a certain rough, though one-sided, logic in this, but it is unfair to the most progressive and capable employers, and



## DETERMINATION OF WAGE RATES

in the long run it is against the interests of Labour as a whole. Within one district the employer who pays the best wages will, of course, benefit by getting the best choice of labour, but if he is competing with identical businesses in other districts this does not apply.

Whether wages are to be fixed by the employer, by employers and workers jointly, or by the Government, certain principles must be borne in mind. Payment by piece rates is the best method in principle for all repetition work of a widespread nature. Piece rates encourage output, they remunerate each worker in proportion to his economic value, and they seldom lead to bad or scamped work; often the contrary is true. Higher output means fewer machine stoppages; stoppages are directly related to damaged work, and they are very often the cause of it.

Before a new job is well enough understood to be paid by piece rates, operatives should have a minimum time wage to fall back upon. Before deciding that piece rates are the best method of payment for any particular class of work, it is of paramount importance to see that the system adopted is not so rigid as to impede technical and mechanical progress. Piece-rate agreements have often done this in the past, and in fact they still do so to-day. Equivalent piece rates should be paid for the same given amount of work performed under the same technical methods and with similar machinery and materials; by 'equivalent' rates I mean rates yielding the same 'real' as opposed to the same 'money' wages. Where cost of living conditions are equal, piece rates should be identical; where cost of living differs much, they should be adjusted to meet this. It should *always* be open to employers to have piece rates revised when new and improved machinery or improved methods or materials are introduced. If the whole of the pecuniary benefit from higher production goes to the operatives, the

employer has no inducement to put in the most up-to-date machinery or to employ more costly materials. Labour's reply to this is that the employer must be satisfied with the extra profit which he gets by the saving of overheads through increased production. But the extra capital charges incurred by putting in costly new plant (the most usual road to increased output) may easily swallow up the whole saving in other overheads.

Another pertinent question to be considered is whether the way should be opened for an extension of the shift system (e.g. two daily shifts of 8 hours each—say 6 a.m.—2 p.m. and 2—10 p.m.). Two shifts halve the capital charges upon industrial plant and lessen many other overheads as well. The ability to adopt a two-shift system often makes it worth while to instal the best and most costly plant where it would be economically impossible to do so with one shift.

Are Family Allowances desirable? To me and to many others they seem to be a fair and practical answer to one of the most urgent problems of to-day; but should they not be paid by the State rather than by an individual employer or even by a whole industry as a unit? No doubt if either of the latter courses is adopted the consumer of the product will pay in the long run, but the burden will not be spread equally over the whole community; it will be borne by the individual trade or trader, and the immediate effect will be to make every industry or every manufacturer concerned wish to employ as few married people as possible.

## IV

Should Government control the future planning of industry in certain directions? Should it be enacted that no factory of any kind must be started anywhere without the permission of the central government?

## INDUSTRIAL PLANNING

It is often held that the creation of derelict districts is the greatest crime of capitalism. The responsibility of forecasting future developments for generations ahead and making plans in accordance with these forecasts is too great to be left to the entrepreneur, for the interests involved are too far-reaching in every sense. It is clear that in the past either industrialists have not thought much about the fate of future generations of workers, or their judgement was very faulty. The decision of such questions of momentous national importance should be left to no one but the national government. It must certainly *not* be left to local public bodies. The permanent evacuation of large clerical staffs (as well as factories) into the country, so as to relieve congestion in cities, should also be considered in this connexion.

The introduction of labour into industry should also be planned and controlled nationally. No business should be allowed to employ more juveniles than it can absorb later into its ranks of full-grown workers. The issue is quite as important as controlling the location of industries. Blind-alley employments are a disgrace; the plea that 'the type of industry demands juvenile labour' should be dismissed at once. Such industries should disappear if they are really so weak, but in these days of automatic machinery and mass production I doubt whether this can be true of any organization.

The questions of the introduction of labour and the age and class of labour to be employed are clearly wrapped up with industrial education.

It is evident that we need more and better craftsmen: if a return to the old apprentice system is impossible, it seems that more and much better technical education is the solution; it should start, in fact, with a type of elementary education which is more in touch with realities than that

given to-day. At the same time, it must never be forgotten that administrators of all grades need a really wide type of general education. They must learn history, the humanities, perhaps the classics. For them the learning of industrial 'technique' is of secondary importance; in their case, if anywhere, the achievement of the ultimate function of education—to impart character and teach the understanding of men—is the supreme necessity.

Technical education should be given in state schools or state-controlled classes, not by manufacturers or industries themselves. The latter course will be apt to subordinate the interests of the pupil to the interests of the industrialist, and the two are not always identical. But the advice of Industry must be sought at almost every stage in drawing up the educational programmes. It must not undermine certain fundamental principles of education, nor can it dictate ultimate policies, but in everything else its help will be indispensable—whether in the selection of subjects, or the framing of curricula, the methods of teaching, the dovetailing of the hours of work and education, the selection of candidates for whole-time training, etc. Great care must be taken not to educate people into blind alleys; the number of pupils taught must be strictly conditioned by the probable demand for them. I have never heard that existing colleges or technical schools pay much attention to their responsibility in this direction. Technical education should be truly technical and scientific, and I want to put in a plea here against so-called 'commercial' education. (Typing, shorthand, the use of calculating machines are technical accomplishments.)

I believe that the trading and bargaining instinct—the ability to see where the highest profit can be extracted by the middleman in the bringing together of the producer and consumer—is quite highly enough developed in our civiliza-

## PROPER FUNCTION OF ADVERTISING

tion, and that any artificial fostering of it is not only immoral but economically unsound in the long run.

Nor should salesmanship and advertising be taught at the public expense. Extravagant advertising and high-pressure salesmanship are directed to selling things to people who do not really want them and are often unable to afford them. (I believe this to be a far more insidious evil than street-corner betting.) These activities lead to putting novelty before quality, to the production of goods of ephemeral value, to a constant waste of only half-worn-out articles, and finally to the building up of manufacturing programmes upon most unstable bases.

Advertising, of course, has a legitimate function: to let people know where they can get what they want. Moreover, an advertising campaign to introduce a really valuable commodity, hitherto unknown, to the public, is wholly justifiable, and is a legitimate business expense. But most competitive advertising is a costly national extravagance.

There are crowds of parasites upon industry who make intermediate profits by clever bargaining at the expense of the less astute; others get highly paid for services actually rendered but of no economic value. There is no need to spend public money on the teaching of such things; on the contrary, it would be better to teach the public to resist the blandishments of salesmen and advertisers.

I admit, of course, that these strictures apply only to the home market, where internecine competition is of no national value, but is, on the contrary, the cause of enormous economic waste. A different code is necessary for capturing and retaining foreign markets—if that is to be our policy—where some of the tactics condemned above may be wholly admirable.

## V

Should consumers be protected against unscrupulous traders? The necessity of this is recognized in the case of many trades (deleterious drugs, food unfit for human consumption, etc.), and the principle might well be extended. In the U.S.A. consumers began to 'turn' a few years since, and associations were formed to examine and analyse various classes of merchandise and to publish the results of investigations with the object of ensuring that the consumers got good value for their money, that the article offered for sale was up to specification or description, etc. This has been followed up by 'quality control' plans inaugurated in certain industries both in the U.S.A. and here, under which, by arrangement with manufacturers, articles are tested in independent laboratories and given certificates of quality if they reach the standards laid down.

Our home Government under war pressure is now doing something of the same kind in connexion with the licensing of the manufacture of 'utility fabrics'. Such schemes might well be extended and made permanent. They would, of course, be least open to suspicion if they were carried out by the Government.

In addition to this, more might be done to check redundant or unscrupulous advertising by taxation or otherwise (see last section). Aggrieved purchasers might have easier recourse against advertisers who obtain their money on false pretences, and the onus of proving the truth of the advertisement should fall upon the man who issued it. It is often said that the parting of fools and their money favours the growth of intelligence in the community. We cannot afford an unlimited amount of such expensive teaching. Fraudulent or useless sales (and dishonest prospectuses) bear hardly upon honest and useful competitors. Whole

## EVILS OF SPECULATION

industries suffer a loss of reputation when some of their members let loose a flood of inferior goods upon the market; the public is confused as to the origin of these. Worse still, valuable national productive power is wasted in activities which are useless, if not harmful.

### VI

The reactions of speculation upon industry need close study. Does the issue of over-optimistic prospectuses help or hinder industry? What is the effect of speculation in stocks and shares? These are very far-reaching questions. My own belief is that the total elimination of the speculator from the industrial field would do measureless good and very little harm.

As regards the issue of prospectuses, it is very doubtful whether the cutting off of the amount of capital provided to-day by gamblers (those who want something for nothing) would affect industry much. The amount of such new money cannot be very large, and most of it sticks by the way and does not finally get into the industrial investment at all.

As regards the gambling in the stocks and shares of existing companies, I cannot see that this benefits industry in any way whatever. It has no more merit of any kind than gambling over games, and it has many very serious consequences.

Among these is the following: business executives, if their undertakings are over-capitalized through dishonest or incapable initial finance, and equally if their shares are priced above their intrinsic value on the stock market, are pressed to produce dividends in excess of what is reasonable or even possible in relation to the solid facts. The evils of this are immense and have ruined many industries and endangered many more.

These executives are often short of working capital; hence they are compelled to market their products as quickly as possible, and usually this can only be done by price-cutting, which is likely to be accentuated when their customers are aware of their pressing need for quick payment. They have little money to spend on repairs, hence their products come to be worse made and then to cost more at the same time through the falling off in machine efficiency. They have to pay prompt cash for their raw materials or put up with inferior quality in these; this has exactly the same effect as lack of repairs. All the time, in order to produce unwarranted dividends they have to try to reduce costs, for they are compelled to reduce selling prices and they must keep up the margin of profit. Therefore, the next step they have to fall back upon is to cut wages. This is lamentable not only from the point of view of their own workers, but also for all their competitors; for those manufacturers who resort to price-cutting in order to keep their heads above water as long as possible bring down selling prices and press upon labour throughout the whole industry.

To-day the business world is not what it was in the days of the old merchant adventurers. Their activities were doubtless invaluable in their days, but though principles do not change, these principles are no longer valid when the field of application is entirely different.

### VII

The taxation of industry is an enormous and difficult question. Should special taxes be levied upon it?

The limitation of profits, or dividends, has been mooted. This might discourage investment in industry; that would depend on what rival attractions there were for the investment of capital. It would undoubtedly damp down specula-



## LIMITATION OF PROFITS

tion. If the principle was not extended too far, nor too rigidly applied, I doubt whether it would seriously retard development. If progress was not to be unduly discouraged, any such scheme would have to be hedged round with safeguards and to provide for important exceptions. For instance, industry should be treated with far more liberality and elasticity as regards the writing-down of buildings, machinery and wasting assets, and the allowance of research expenditure as a current business expense.

It is perhaps still more important that nothing should be done to discourage a man from developing and exploiting his own new ideas and devoting his own financial resources to doing so. As his risk will be unlimited, he should be allowed to reap the full profit. Income tax can be relied upon to prevent him from acquiring an unduly privileged position.

If industries are tending towards more combination—whether under unfettered private ownership, government control, or government ownership—the evils of monopoly must be expected as well as its benefits, and they must be guarded against. Unjustifiable selling prices and excessive profits are an obvious evil; another equally serious danger is complacency, stagnation, and indifference to progress.

I feel that, with human nature as it is, very few men will do their real best without the spur of competition. Complete monopoly abolishes home competition; prohibitive tariffs abolish foreign competition. For its own sake industry needs the spur to keep it on its toes, and this must always be provided in one way or another. Monopoly invariably breeds complacency sooner or later; and this is at least as true of public enterprise under bureaucratic control as it is of the most watertight private monopoly.

## VIII

The equalization of rates is a highly technical matter. Should rates be nationalized and equalized throughout the whole country? This would equalize one of the handicaps upon industries, which could then choose their locations without regard to this rather artificial burden—one which also presses hard upon old developed districts where businesses are progressively driven away by the vicious spiral which is created by rating. This question is closely wrapped up with the geographical planning of industry (see § iv). High rents act in a similar way. Is there any possibility of doing anything to level out the inequalities of these? They chiefly press upon industry by inflating the unavoidable living expenses of workers employed in certain districts.

## IX

Another highly complicated question is Patent Law, which to-day does not always act in the public interest.

There is a practice much in vogue which is liable to great abuse—i.e. the taking out of blocking patents. Industrialists sometimes take out patents not in order to exploit them seriously, but with the deliberate intention of preventing others from trying out new and improved methods which may render their own methods obsolete, and endanger their invested capital. The interest of these people is clear, but I think it can very seldom be the public interest. A large number of good inventions are thus deliberately stifled. The buying up of existing patents in order to suppress them has exactly the same effect.

On the other hand, the practice of taking out Provisional Specifications, and then dropping them, is a good one. This does not prevent any one from taking up and exploiting the

methods in question; it merely prevents others from stepping in, taking out their own patents, and blocking the channel.

## X

Do selling and distribution cost too much?

The final price of an article sold to the public is made up of the costs and profits of production and distribution respectively. The proportion of the first has been diminishing and that of the second has been increasing for a long time past. The attention of industry as a whole has been focused upon reducing production costs, while distribution costs have grown extravagantly; I believe this tendency is highly dangerous.

Distribution from the manufacturer to the ultimate consumer usually takes place through (*a*) the wholesale merchant, and (*b*) the retail shop. Sometimes there is a duplication of these intermediate traders. Sometimes the manufacturer deals direct to the retailer, but seldom to the public. The middleman performs an often necessary function, but he produces nothing, and in a sense may be called a parasite upon producer and consumer alike. There are far too many middlemen: the actual methods of transport and delivery are highly extravagant, and owing to their inefficiency they add enormously to the ultimate price of the article sold.

The cost of advertising, which is a part of salesmanship, is another great extravagance, as well as being highly noxious in its effects. The bill is enormous. Recently there were said to be businesses in the U.S.A. in which advertising accounted for more than half of the total cost of the articles bought by the public.

The advertising of products in the home market has little national value; it mostly results in the selling of greater numbers of unneeded articles, or in transferring business

from one manufacturer to another without increasing its total volume, while the ultimate consumer, who has to pay for the advertising, gets less or inferior products for his money.

I have touched upon a number of highly controversial but very fundamental questions. None of the stumbling-blocks which must be cleared away from the path of industry can be touched without treading on the toes of powerful vested interests. If my suggestions were followed up, the company promoter, the stock-jobber—even the banker—the advertiser, the salesman, the hard-pressed municipality or local council, the urban landlord, the sweat-shop, the employer of child labour, and many industrialists who take more interest in finance than in manufacturing success, would be up in arms. Members of the House of Commons pay far too much attention to established interests; at the same time they foster the growth of new constrictive potentialities in their terror of interfering with technical and commercial ‘progress’. To-day they are hypnotized by this word, which is often used by astute financial adventurers—as well as by the men in possession—to cloak its exact opposite.

It is absurd to expect the rapid accomplishment of such immense changes as those attached to wider government control, the planning of industry, the equitable remuneration of workers, the protection of the consumer against dishonest salesmanship and the elimination of the gambler and the tout. Flexibility must always be ensured at any cost; we must realize from the start that there can never be finality, and every type of organization must allow for the germination of its own seeds or better ones. Unless the fundamental issues are perpetually borne in mind, and unless every step which is taken is in the direction of destroying rather than consolidating abuses and obstructions, it is useless to talk of rebuilding industry upon a better foundation.

## II

### THE BUSINESS MAN'S INSPIRATION<sup>1</sup>

IT is not my purpose to give you a lecture upon business administration, nor to put before you a detailed scheme of things as I think they ought to be; and, even if I wished to do so, my scheme would be full of gaps, for I have no list of cut-and-dried remedies for every ill. Although I think I know the general direction in which we ought to go, I also know well that we shall often have to proceed by way of experiment, trial and error.

I am going to start with the concluding passage of an address which I gave recently to a business gathering. This was: 'Our best chance—perhaps our only chance—of saving civilization lies in some kind of religious revival.' I am not so afraid of the word 'religious' as some people seem to be; to those people perhaps the word 'spiritual' would be more acceptable.

I do not confine the idea of religion to any particular doctrine. In a universe whose laws I believe to be divinely planned, 'religion' is to me the expression of all those spiritual impulses which are still the most powerful forces among us, and which I hope to see gathered together in one fruitful stream at this supreme crisis in our history.

I suppose the most useful thing I could do would be to convince you that progressive social views, idealism, altruism—in fact Christian principles—when put into practice are not fatal to business efficiency. At any rate that is what forty-five years' active participation in a successful and

<sup>1</sup> An address at St Mary Woolnoth, City of London, February 1943.

ever-expanding business has taught me; the conviction has steadily grown within me, and to-day I hold it more strongly than ever. And to-day I am equally sure of something else, and that is that unless the leaders of industry take a big step forward and say good-bye to many of the old nineteenth-century doctrines on which they were brought up, industry itself, and with it our English civilization, will have no future worth looking forward to.

For over a year now I have been talking like this to various groups of business men, and I have been delighted to find how widely views like mine are held to-day: a very large number—probably the majority—of people in active and important industrial positions have come to the same conclusions themselves. Unfortunately, the majority of executive business men are rather inarticulate; they are not good at publishing their opinions, and so, outside their own individual business circles, very few people realize what they are thinking. So I want you to believe this: that my views are not those of an isolated and perhaps unpractical enthusiast, but that they are shared by the men—especially the younger generation—who matter in industry; who are actually running the country's most progressive businesses to-day.

Now may I tell you what I believe to be the main fundamental heresy which has brought modern civilization to the brink of the precipice? It is simply this: the worship of materialism. It is easy to see what has happened—and why. Mankind has been dazzled by its material progress during the last one hundred years or so: by the wonderful discoveries of science, their sudden application to modern life, and the rapid growth of wealth and material power. Material knowledge and material power have multiplied phenomenally, but unfortunately wisdom and character

have not grown at the same rate. That, I think, could hardly be possible: what has happened is very natural, so we have got ourselves into the position of children playing with dangerous toys, which contain disastrous possibilities of fire and explosion. To-day we can at least realize the danger, and if we have faith and courage, it is not too late to escape disaster.

Unfortunately, the materialistic doctrines of the nineteenth century were given an added prestige—almost sanctified—by the laws of the nineteenth-century economists. These may have been workable at the time, and even correct upon a short view, but to-day conditions are utterly different, and, although economists themselves may have moved forward, there has been the usual time-lag, and some of the old school of business men are, consciously or subconsciously, still governed by the old doctrines.

These old economic doctrines, it seems to me, left two vital factors out of account. The first was *human nature*; the second was the *overlordship of the spirit*. Let me take the first point. Early industrialists, as a whole, took very little notice of the human needs of the workers, and they seem to have got along very well, from an inhuman point of view, looking upon labour as an inexhaustible and almost inanimate raw material. Whether they were morally justified is another question, and I am not going into the many scandalous evils of the Industrial Revolution. At any rate, it is perfectly impracticable to ignore humanity to-day: the age of rapid expansion is over and the country's resources are fully exploited: we have universal education, and a democratic franchise.

To-day we know that the worker is a human being with a right to the same feelings and aspirations as his employer. We also realize that, from the purely technical point of view, he is by far the most important, delicate and costly

unit employed in any industry, and that, if he is inefficient, industry will be inefficient too. And we know that, unless the worker is healthy, contented, and takes a pride and interest in his work, nothing can make him work efficiently. The quality of the workers who leave the factory doors every evening is an even more important thing than the quality of the products which it delivers to the customers.

Now what is necessary to make the worker—this human being—efficient? Obviously he must be reasonably happy, and reasonably satisfied. How are we to make him so? He must be healthy, and not worn out with too long hours and too monotonous work. He must work in good conditions, and be adequately paid; in many cases he must have a bigger share in the profits of industry than he gets at present. He must have security against illness and unemployment. He must be able to get all the education he can usefully absorb. He must have a chance of using his abilities to the full, and ample opportunities of rising as far up the ladder as these abilities entitle him to do. But, above all, he must take a pride and interest in his work. To be able to do this he must understand both what he is working at and the ultimate object of his toil. He must have the right to know all about the administration, policy, and finance of the company for which he works; he must know how the company's income is distributed; he must be able to criticize inefficient management—for, after all, his own investment in the business—his body and brain—is dependent upon that management; he must know that his needs are properly respected and safeguarded; and, last and most important, he must be able to feel that he is doing a man's job, and that the community will benefit by every extra ounce of thought and energy which he puts into it.

A lot of careful and laborious work will have to be done before such a state of affairs can be fully brought about, but



## SUPREMACY OF THE SPIRIT

I see no insuperable difficulties. I believe that the men and women of this country will respond generously to such treatment, and that the result will be an increase in economic efficiency and a lowering—not a raising—of the costs of production. For my part I believe that better medical and social security—the Beveridge scheme or another—are profitable as well as right in principle; and the same applies with equal force to better education.

I know that it will be difficult to find the necessary money for the first few years after the war, though I do not believe it is impossible; these things are rather in the nature of lock-up investments, but over a long term they are about the soundest investments the country could possibly make. I refuse to believe that good health, a reasonable degree of economic security, and better education are going to lead to increased complacency and idleness. If these things are true of the poor, they are equally true of well-to-do critics, who seem to think that the advantages they enjoy themselves will completely undermine the morale of the nation if extended to others.

Now this brings me to my second point: the supremacy of the spirit. To some extent this is implied in what I have just said, but when I was speaking of human nature I was thinking first of its more practical needs, and that leaders must study and respect these needs in the rank and file.

But spiritual values affect the conduct of officers and private soldiers alike. Napoleon, who was certainly practical, and was a consummate leader of men, knew that efficiency cannot exist without the aid of the spirit. He is supposed to have said that 'an army marches upon its belly', but he said, too, that 'the moral is to the material as three to one'.

The world to-day seems to be obsessed with mechanistic ideas; we look upon ourselves as propelled along a railway

line by inexorable scientific and economic powers, and unable to turn either to right or to left. Now science and economics are still in their infancy, and they are continually contradicting themselves; moreover, the further they extend the boundaries of their knowledge, the bigger the field of the unknown is seen to be. But, apart from this, if we are asked to believe that our destinies are bound by material laws based upon arithmetical proofs and physical observations, and that they are therefore beyond our control, must we not reply that such a view leaves out of account one fundamental and indisputable thing? And that is: in a civilization largely controlled by human endeavour—which, too, harnesses the forces of nature to tasks it selects itself—the future will be whatever the effective will of mankind chooses it to be. Nothing irritates me so much as to hear people say: ‘Such and such a thing is *bound* to happen’, and I reply: ‘It is only bound to happen because you are all prepared to acquiesce.’ I refuse to believe that human destiny will ever be determined by mechanical and economic forces, however well these may come to be understood in the future.

My favourite definition of man is ‘the non-economic animal’. I should like you to think that over. Biologists and naturalists tell us that practically all the activities of other animals are dictated by the necessity for individual and racial survival. Only man, through his reasoning faculty and his imagination, has developed surplus power which he turns to non-economic ends; that is precisely what makes him a man. Don’t let us forget our manhood at the dictates of the materialists, by subscribing to the heresy that matter is greater than spirit.

Now I have been speaking of what I believe to be the root of our present evils. What are the practical applications of all this to business? The first is that we must remember that

the human beings of this country, most of whom are engaged directly or indirectly in industry, are of more importance than the machines they work with, or the articles they produce; and in saying this, we must remember the spiritual as well as the physical needs of these human beings.

Another application is this. Large-scale industrial combinations, utilities and financial institutions are as widespread as the boundaries of the country itself, and in many ways they vitally affect the whole community far beyond the range of their direct dealings. No power of lesser scope than the national government itself should have the ultimate control—I purposely say control and not management—and large industries must look forward to this and help to bring about the necessary changes. People say: ‘That will be fatal. Government departments have shown themselves incapable of taking any useful part in business.’ The reply is that government departments are made up of human beings, and therefore susceptible to changes. By common consent the integrity of our Civil Service is beyond question, and my own experience shows that the level of intelligence among Civil Servants is very high—higher than is often to be found in the administrative ranks of industry. Indeed, industry often laments the fact that it does not know how to attract the best brains to itself. But the Civil Service machine, which is very old, is due for a thorough overhaul, if not for complete redesigning, and one of our immediate tasks is to devise a more all-embracing range of education, and a new code of maxims for Civil Servants.

Now I come back to my title—‘The Business Man’s Inspiration’. What should it be to-day? At our present stage of civilization leaders of productive industry are leaders of the most vital activity of the whole nation. They must look upon themselves as do high officers in an army,

as do leading statesmen in a government, as do the great men in the worlds of science and art; as men, in fact, whose first motive is service to the truth of their *métier* and to the community, and to whom the personal reward is only secondary. Those who are financially more fortunate than their fellow-citizens must regard themselves as trustees of their possessions, and think less about the personal enjoyment of them than of spreading their benefits to others. Service, and not exploitation, must be the inspiration of business men, and, I venture to say, if they will question themselves, they will acknowledge that this is the inspiration they inwardly need and desire; that is, if they have not already recognized it, as so many have done.

Englishmen are fundamentally religious, and I believe that this is a religious inspiration, and that the Christian Churches should act as the spear-head of the army of light. What we need above all is faith; faith in human nature: faith in the future: faith which will impel us to think of something other than 'safety-first'; faith in spiritual values and spiritual powers. We shall have many difficulties and many disappointments; we shall be 'let down' at times on one side or another, but, foreseeing this, we shall not refuse to try again, for it is certain that more and greater opportunities are lost by taking honest men for knaves than by taking knaves for honest men.

We must remember, too, that there can be no finality, and that as soon as we have finished devising any system it will already be becoming obsolete. So I will end by referring to a quotation from Walt Whitman made by the Prime Minister. It was something like this: 'It is in the nature of things that every victory is followed by a further struggle.'

### III

## COMING INDUSTRIAL CHANGES<sup>1</sup>

WHEN I was turning over in my mind what I should say to-day, I came across two significant passages in my morning paper.

One was in a letter from Viscount Cecil: 'Until we recognize that the man who contributes his work to an undertaking is at least as much entitled to be heard as to its management as the man who invests his money in it, we cannot expect that full confidence will exist between employers and employed, or that the latter will have any vivid sense of responsibility for the success of the business.'

The other was in a speech by Mr Garro Jones, Parliamentary Secretary to the Ministry of Production: 'Nobody I know in the Government on either side favours controls or restrictions for their own sake, and a great many of these restrictions will be promptly removed when the war ends. All unnecessary controls will go: all necessary controls must remain. In some fields it was certain that some measure of control would remain...for instance we should... have to accept control, carefully applied, of the location of industry.'

These two pronouncements by men of great influence point clearly to two far-reaching changes in our industrial system—changes which will come about whether we all like them or not.

The first is that in future the worker is going to have a much more intimate and more effective share in the management of industry; and the second is that industry is going to be

<sup>1</sup> An address at St Clement's, Eastcheap, City of London, October 1943.

permanently subject to more state control than it was before the war.

Now there is a fundamental difference between the two.

The first—the admission of the workers to a much greater share in industrial management—is desirable for its own sake. If it can be brought about on sound lines, inspired by human aspirations and practical wisdom alike, it will mean a great gain to the individual, to the nation, and to civilization.

The second—more government control—has two sides to it: negative and positive. The first side is not desirable for its own sake: it means no increase of absolute value, and its value is at best relative to something worse—it is the lesser of two evils. This side of control is the function of the policeman, and is purely negative and non-constructive. The other function of government is to advise and guide industry in fields which are too wide and all-embracing for industry to deal with satisfactorily by itself. This function is constructive and positive, but its value is relative to what industry can do without it, and it is not without danger.

Now let me begin by considering the position of the worker in industry—what it has been and what it might be. I am no economist, nor have I studied industrial history exhaustively; but I have come to fairly definite conclusions about the nineteenth-century Industrial Revolution which I think command wide assent to-day.

The typical nineteenth-century employer in the hey-day of early expansion seemed to regard labour as a commodity to be purchased like any other raw material: he thought the supply was practically inexhaustible, and his business principles—which he canonized under the name of economic laws—enjoined him to purchase it as cheaply as possible. So long as there was a growing volume of work for all, and he paid wages high enough to enable his workers to buy the

cheap food which Free Trade guaranteed, he thought he had no other obligation to them. He hardly thought about them as human beings—about their aspirations or their individual development—though he often came straight out of their class. He seemed to think that those wonderful economic laws, if given unfettered scope, would somehow result automatically in prosperity for everybody, and that the increase of the material wealth of the nation would bring every virtue in its train. I don't know whether the best economists of the day really believed this—I don't think they do now—but at any rate successful nineteenth-century manufacturers interpreted their laws in that way; and a few of this old school still exist who have never moved from an almost instinctive belief in doctrines which brought wealth and power to their predecessors under very different circumstances.

We all know now that these rosy dreams began to fade before the end of the century: foreign competition sprang up, the rate of expansion slowed down, and, in fact, the snowball stopped growing.

Moreover, the worker began to look about him and ask some pertinent questions, and while on the one hand trading was getting more difficult, on the other labour was refusing to behave as an inert raw material; men showed that they were something more than automatic machines which could be started and stopped at the will of another, and it was proved that economic laws, which dealt in material factors only, were much too limited in scope, and had to bow to stronger spiritual powers—whether rational or irrational.

I went into industry myself in the 1890's: business was growing in scale, and the old personal touch between employer and employed, which sometimes had many admirable aspects, was becoming more and more difficult

to maintain. Certain leading industrialists, who were now aware that something was wrong, began to interest themselves in welfare work, and even such things as pensions and profit-sharing.

But these things were hardly more than palliatives, or generous indulgences which a successful concern might be able to afford. The guiding business idea was that it paid a progressive employer to give good wages, and, to some extent, to look after the worker's health; but still the worker was not consulted, and if employment failed it was 'just too bad'.

The next step was the growth of the 'Labour Management' movement after the last war. It began to be realized that workers were individuals with many different qualities; that the man was the most costly, delicate and yet indispensable unit used in industry, and that he was worthy of as much study and consideration as any other machine or any raw material—in fact, that without such study it was impossible to plan the most efficient working conditions. It was also realized in some quarters that he could not be expected to work efficiently unless he was reasonably happy and contented—healthy in mind as well as in body.

This was a big step forward. Of course employers must always have known the truth of it at the bottom of their hearts; but it is remarkable how little practical application they had given to the idea, and it is only the last twenty-five years which have seen any considerable attempt to treat labour with scientific sympathy. My own explanation is that employers—with most other people—were so dazzled by spectacular mechanical success that they thought they had discovered, in that alone, the secret of perpetual progress, and still saw no necessity of looking beyond purely material calculations.

Now, in the last five or ten years, we have begun to see that



an intelligent man will not be happy or contented at his work if he is kept in blinkers. We demand intelligence, and now we have to admit we must allow this intelligence to be applied in any direction. If we try to constrain it, and confine it to very limited channels, men will inevitably suffer from a sense of frustration, imprisonment and discontent.

An intelligent man, who spends his whole life on industrial tasks, inevitably asks himself what he is working for: so many pounds and shillings a week is not a sufficient answer. I remember a song in a revue about the time of the last war:

We've nothin' to live for but wages and work;  
Oh pity the pore workin' man.

This was given in a comic way, but, whether the author knew it or not, it burlesqued a bitter truth.

To work well, a man must take a real interest in the job itself, and feel that he has the fullest scope for his brains and abilities; this means that he wants to know just how his particular task fits into a whole manufacturing programme, and that his ideas about it will be listened to and tried. He ought to know as much as possible about the stages of manufacture which precede and follow his own department; he ought to know something of the origin and nature of the raw materials he works on, and something of the destination of the finished products. He should also know how the company's income is divided up—how much goes to purchases of raw materials, etc.: how much to labour, to management, to creditors, to the government, and to shareholders, so that he may have some means of judging what his individual toil is worth to the community at large, and what his real place in society is. A worker should be entitled to know as much as he wants to know about the business for which he works, including finances: the only exceptions should be such as can be clearly defended on grounds of common safety.

In recent years some employers tried to satisfy the intelligent interest of their workers by explaining to them the main lines of company progress, policy and finance. This practice was wholly to the good, and should be developed further.

Works Councils have also done a lot to break down the wall between labour and management, and between the operative and the expert. Since the beginning of the war Production Committees have gone further still. The workers are fully represented on these; their advice is heard on technical and administrative problems, and the committees have executive powers. This is a long step in advance; it recognizes the principle that workers have a right to know what is going on, and to have their say, and that if they prove themselves competent, they have a just claim to a voice in direction and management—including the right to criticize. Without pretending that every man is equally intelligent, and that all are capable of becoming either experts or managers, it cannot be denied that there are large numbers of men in the ranks of labour whose ideas will be of the greatest possible value to the undertakings for which they work, if they have a reasonable chance of voicing them. Too often in the past they have had little chance of making their ideas known, obstructed by inertia, by jealousy, or just by lack of imagination. It will not always be easy to devise ways of obviating this, but it can—and it must—be done. The underlying principle is a sound one from the most practical standpoint—that every industrial organization, whether private or public, should make the best possible use of all the brains at its command; and we must not forget that the brains of our people are the best asset the nation has. No prejudice, no consideration of personal interest or prestige should be allowed to frustrate this; it follows, of course, that the ladder of promotion,

right up to the top, must be really open to competent men, no matter what rank they start from.

Another just conception, which has been gaining ground lately, is that the worker, as well as the shareholder, is an investor. The latter invests his spare capital—usually well spread between different risks: the former invests all he generally possesses—his muscles, brains, and experience—in business too—and in one undertaking only, so *his* risk in event of failure is often far greater—he cannot easily transfer his kind of invested capital. At present, boards of directors are the legal trustees of the shareholders only, but they should be able to take a wider view of their responsibilities and remember that they are in actual fact trustees for the lives and livelihood of all their workmen too.

In order to see that boards of directors of big businesses get all-round views of their workers' interests properly presented I have suggested that trade unions should be asked to nominate directors, from their own organizations, who would be appointed in the usual way. They should have full directors' rights, but would be expected to watch specifically the workers' interests, and they could also be of great value in making the difficulties of the directorate known to the employed.

These are some of the ways in which workers can be helped to a knowledge of all kinds of industrial problems, and to a real share in management. I think the trend in this direction is wholly just, reasonable and beneficent.

The second big change which is impending is an increase of permanent government control.

Government as now constituted, and government servants as now selected and trained, are quite incapable of directing and managing business efficiently, if judged by the ordinary standards of well-organized private industry: my own

recent personal experience proves this indubitably—and the country cannot afford any standard of efficiency below the highest obtainable.

But Government has functions other than actual direction and management, which it can—and must—perform. The first of these is the plain duty of the policeman: to see that the law is kept—that men do not rob their neighbours—that the strong do not abuse the weak.

Many industries to-day are combined into such large units or associations that their tentacles—using the word in no offensive sense—spread over the whole country, if not beyond it. Their activities affect very powerfully, if indirectly, every man, woman and child in the country, who have lost the old safeguards—for what they were worth—of free competition. In general, these combinations have not been harmful, for their efficient and economical working has lowered prices to the consumer, and afforded good wages and working conditions too. But their powers can be abused, and this has sometimes happened—notably, I think, in the direction of retarding progress in the interests of already invested capital. At any rate, no government can permit the existence within its borders of a power with a radius of action as wide as its own, unless it has an overriding authority of control and veto, which it can exercise if an industry abuses its position.

There are many things which no business must be allowed to do:

- (1) Capture a key position, and then charge excessive prices to the public.
- (2) Enrich itself at the expense of another industry.
- (3) Trade in deleterious articles.
- (4) Cramp progress in order to safeguard vested interests.
- (5) Have any international dealings contrary to the national interest.

- (6) Spoil their neighbours' amenities.
- (7) Disturb unfavourably the distribution of the population.

The last two evils would be stopped by Mr Garro Jones's 'control of the location of industry'.

The great danger here is *unnecessary* government interference. It is a real danger: let there be no mistake about that. But I think the risk must be run, and an intelligent and well-educated democracy should be able to stop its functionaries from exceeding their duties and clutching unnecessary power. These duties I have enumerated are really police-work: purely negative in effect; and, of course, if Government puts a stop to industrial activities which are harmless in themselves, it must be prepared to suggest alternatives.

In addition to the police functions, Government will also be called upon for positive or constructive services which it alone can give, and the need for these two arises from the size and spreading influence of big industry. When business activities affect the whole community willy-nilly, no power less than the Government can possibly weigh up and balance all the diverse interests affected, and give the right direction to development. Government alone can collect all the necessary data, and have the knowledge and authority to give the right directions: it is certainly beyond the scope of any industry; and, indeed, it is the business of industrial leaders, as such, to run their own businesses efficiently, and not to govern the whole country. Yet someone will have to do it if chaos is to be avoided, and therefore Government must assume the responsibility for directing the broad development of industry as a whole, and deciding what is best for the community, encouraging some industries and checking others, and stepping into the gap when private enterprise cannot supply a public need.

Part of the machinery of control may well be some form of control of capital investment such as is in force to-day, and coupled with this should be the appointment of a permanent high advisory council composed of eminent and disinterested men, largely chosen for their scientific and economic attainments.

Another department of life in which big changes are impending is education. These will affect industry closely. Such changes as the raising of the school-leaving age, and part-time—or even half-time—continued education at the employers' expense, may raise initial difficulties; but business can certainly accommodate itself to them, and progressive industrialists all over the country are prepared to welcome these changes; for they know well that though the expenditure may yield no instantaneous return, yet better education for youngsters will be a first-class investment and a help to business itself—directly by producing more intelligent workers, and indirectly by producing better citizens.

Another important change is, I think, coming along, and that is in the status of industrial managers. Without going so far as to agree that factory managers are going to rule the world, I am conscious of the enormous amount of power which they cannot help wielding, and that at present it is little organized. I don't believe that managers aspire to great political or social power, for they are essentially specialists; but I believe that their status in our society, as well as in industry itself, should be raised and dignified. I should like to see industrial management become an honoured profession with an ethical code as high as that of any other profession, so that no employer would dare to ask a manager to assist or connive at any dishonest or inhumane practice, knowing that he would have the effective weight of the whole managerial profession against him if he did.

I think this movement should be encouraged in every way. There is a minor difficulty attached to it. The qualifications necessary for professional status must not be awarded only to those who have passed examinations: the profession must be open to all workers who show the necessary practical aptitude at any time in their careers.

There is one other great change taking place in industry of which I find it far more difficult to assess the present value or predict the future course: I mean the increase of mass production and what is called the 'conveyor-belt'.

It is commonly assumed that mass-production methods mean economy and cheapness, and, in general, this has been true; yet I believe that the claim is much exaggerated and too readily taken for granted. To-day the scale is weighted in every way in favour of the big business as against the small. The big man can buy more cheaply, he can borrow more cheaply, he can carry out his own research, and he can more easily influence the market—in fact everybody wants to oblige him because of the weight of his purse. Now some of these advantages, such as cheap buying and borrowing, seem to me to be artificial, and they can be corrected—if necessary, by legislation. Others—as in research and marketing—can only be met by much greater co-operation and less mutual suspicion among the small men: but that is not impossible. Some people are certainly beginning to doubt whether the maxim, 'the bigger the better', is always true: there have been striking examples of works being built much too big for efficient control or economical use of time.

But in any case this bigness of industry, which usually goes with mass production, will be with us for a long time, and mass production means an enormous number of purely mechanical repetition jobs—workers doing the same thing

over and over again, hour after hour and week after week, as uniformly and rapidly as possible, and all geared to the same speed.

Such work seems to me to be utterly sterile from any human point of view—unless as a temporary stop-gap—and generally destructive of all individuality. What cure is there here? One is to forbid workers to go on with the same job too long: plenty of change and diversity, even if it means a little loss of speed. Another idea of course, wrapped up with the whole theory of liberal education, is to see that the worker has enough leisure to cultivate his personality outside of working hours; but that misses the positive benefits of interest in the job.

Again, it is probable that engineers can invent more and more machines to replace these human robots: a bigger number of highly skilled maintenance engineers will then be needed, but less labour in total; the ultimate answer to this is, of course, shorter hours of work.

Now it is not enough to foresee the trend of coming changes—not even enough to decide what they ought to be and to plan accordingly: the way in which we are going to meet these changes is equally important.

I am thinking now of our own individual behaviour. Frankly I fear that when we have won the war we may lose the peace; and chiefly owing to one thing: loss of temper. The Prime Minister in his speech on 13 October 1943, gave all of us of the older generation a sharp but well-deserved rap when he said that after the last war nearly everyone behaved as badly as they could; and earlier in the speech he had pleaded for good temper in criticism and debate.

Personally I believe that there is more fundamental goodwill to-day, a greater sense of national unity, less selfishness, less consciousness of class distinctions than ever before. It ought to be possible to build on this and create a better



society by co-operation and agreement. And yet!—men of all classes are getting tired; their reserves of patience and forbearance are running low, and good manners everywhere are wearing thin. Signs keep flashing out here and there in highly dangerous places: there are extraordinary revelations of obsolete prejudice on the part of reactionaries: extraordinary suspicions and allegations of bad faith from the other wing. When we are tired our instinctive innate weaknesses come to the top: sometimes an apparent inability to recognize the existence of any legitimate interest except our own; sometimes a suspicion that everything we cannot understand is a cloak for dishonesty; on all hands a disposition to regard our own philosophy or our own political theories as sacred doctrines to which everyone must subscribe or be burnt as heretics.

As an employer myself I have tried to make fellow-industrialists do a little hard unprejudiced thinking, and meet new conditions with a new mentality. I can truthfully say that I believe the majority of those who are most alive think much as I do: they recognize that in the long run the interests of the community must override the interests of individual business, but that the two almost always coincide.

It is not for me to tell the leaders of labour where their interests lie, but I would at least beg them, as well as employers, to approach this coming time with open minds and without prejudice: to recognize that more can be done—and more quickly—by co-operation than by hostility.

However—to return to my fellow-employers—let us show a little humility, and recognize that we and our predecessors have not been omniscient: that we too have made mistakes and sometimes fixed our thoughts too exclusively upon sectional interests. And if we admit our fallibility—as we must—let us be strong enough to admit it openly, and not claim immunity from criticism.

Also let us genuinely try to see the other man's point of view, and, when we go into a conference, look first for the good points in the opposing case, and not start playing for tactical advantages by trying to put the other man in the wrong; nothing arouses more antagonism and nothing is more fruitless. And yet, knowing the temptations to indulge in such manœuvres, do not let us be excessively offended if we meet them from the other side.

Again, leaders of industry must genuinely put human and spiritual claims in the first place, and not think that they have said the last word if they can prove that some proposal is not the most directly profitable. If they take this line, they cannot be surprised that labour leaders often appear to care for nothing but higher wages, and lay no stress on what is given in return.

It is abundantly clear to me that industry has been on the wrong track because, from the beginning of the Industrial Revolution almost until to-day, the effective leaders of our modern industrial civilization have measured everything by material standards. They were astounded by the success of their own mechanical and scientific devices, and came to believe that spirit was subordinate to matter. Where these leaders led, almost everyone followed.

The road back to sanity is going to be long and laborious. We shall inevitably encounter suspicion, genuine misunderstanding and sometimes deliberate misrepresentation. We must not be daunted by setbacks, nor expect rapid progress; nor, indeed, count upon any secure advance for a long time to come. Nothing of enduring value is ever won by short-cuts, and it is impious too, to look for finality: when we have surmounted one ridge we shall always see another to be breasted.

But my last word to-day is: let us pray for even tempers everywhere, and, above all, for strength to keep our own.

## IV

### ART EDUCATION<sup>1</sup>

I APPRECIATE in a very special way the honour you have done in making me your first President, for—apart from personal ties—art has probably meant more to me than any other influence in my life. That, I suppose, is my only real qualification for this post, for I am not an artist—not even an amateur—nor am I an expert in art history, art criticism, or the laws of aesthetics; nor has my experience of art in relation to industry been particularly encouraging. But right through my life I have received increasing pleasure from the artistic creations of others, and not only pleasure, but, I believe, benefit of the purest and least material kind. Moreover, when I consider the teachings of history, I see art as the most uniformly civilizing influence which mankind has ever known; it is universal and eternal; it ties race to race, and epoch to epoch. It overleaps divisions, and unites men in one all-embracing and disinterested and living pursuit.

To say that art has been the most civilizing power we have known may sound like blasphemy, and I am not elevating art above religion, though it is religion's next-of-kin; but the recurrent use and abuse of religion by political power, which has brought untold evil in its train, is a disaster which art has been spared. This is a subject which I am not bold enough to pursue further.

Mr Dickey of the Board of Education has been kind enough to let me quote the opening paragraph of a paper he

<sup>1</sup> Presidential Address to the Association of Art Institutions, London, 20 October 1943.

wrote two years ago. He says: 'The task which those responsible for art education (in England and Wales) have set themselves is a double one. It is, on the one hand, to supply the best training for young people who take up artistic careers, especially those employed in or likely to enter industries which depend on good artistic design and craftsmanship, and, on the other hand, to raise the general level of public taste and enjoyment of art.'

That, I think, puts the two functions of art education very clearly: (1) to train young people for careers in connexion with art, and (2) to raise the general level of public taste. As a manufacturer of textiles I am inevitably interested in the first. Arts and crafts are rightly coupled together, and there is no antithesis between 'fine' and 'applied' art. But let me say at once that art and craft are not the same, and they are not equal; for the relationship between them is that of the soul to the body.

Every art has its own words—like draughtsmanship, musicianship, etc.—denoting the various crafts which help it to express itself; and every art needs a vehicle in which to come to us, just as a soul cannot visit the earth without a body (though, unfortunately, a formidable number of bodies seem able to exist without souls).

One way, and perhaps the readiest way, of raising public taste is to make sure that objects of common use are beautiful as well as useful. Fitness for function is one of the qualities of beauty. Possibly it may be the highest qualification of all; that is a question for philosophers, and I am not going to argue about aesthetic theories. Certainly articles of utility must be fitted for their functions, and the commoner their use the simpler they should be. But this does not mean that all ornamentation is out of place; far from it. There is a well-publicized school of thought to-day which maintains in

effect that stark simplicity is the highest possible kind of beauty, and, in a mechanical age, this means little but rigid lines, harsh angles, with an occasional rudimentary curve. Hence that monstrosity which is well named 'packing-case architecture'; an affair of crude blocks punched with rows of rectangular holes. Every grace, every little flower of the human spirit, is rigorously excluded, and condemned as out of keeping with the spirit of the age.

This is the most cowardly and defeatist art doctrine which it is possible to conceive; never to risk anything, lest we give ourselves away: to clean the slate and hand it over to engineers and cost accountants for them to draw what is most appropriate from their fleeting economic point of view. Such sheer negation is, I think, even more deplorable than an occasional taint of original vulgarity; or even conventional vulgarity. The tasteless repetition of debased ornament with which an earlier commercialism has nauseated us does at any rate amount to an acknowledgement, if not a love or understanding, of beauty's claim to exist.

The first way to ensure that the articles we use are beautiful as well as useful is to encourage the artistic qualities of our craftsmen to the utmost: this is the first of the two duties of art education. Looked at from this angle I do not see that the task is very difficult, though it will take time. I am sure that craftsmen themselves will welcome every move in this direction; it will increase their pleasure in their work, it will improve their status in our society, and it will make them feel that they are serving something more than mere mechanical, material or commercial ends.

Moreover, a certain admixture of artistic feeling increases a craftsman's value *qua* craftsman, especially when this is allied to originality, which is a quality likely to be

wanted more and more in all classes of skilled workers. I almost go so far as to say that a good craftsman must be in part artist, for he must take a joy and a pride in the materials, tools and products of his work. Even if he is only repeating the designs of others, he must have artistic feelings; otherwise the successive copies he makes will become more and more superficial and lifeless. I remember an exhibition at the Burlington Fine Arts Club some years ago of copies and fakes, chiefly, I think, of drawings. It was notable, and generally admitted, that in some cases the copies had higher artistic qualities than the originals. Certainly these copyists were artists themselves.

But it is useless to produce beautiful articles unless the public really want them, and there's the rub. Roger Fry said in one of his books that the English art patrons of the eighteenth century deserved better artists than they got. I should say that the reverse is true of the twentieth century, and that to-day artistic producers of all kinds deserve better patrons than they get. In the eighteenth century, of course, patrons of art belonged almost exclusively to the wealthy classes, whose artistic education was very good, on the whole, from traditions at home and travels abroad.

But we are not talking now about wealthy people who can buy old Masters and get distinguished architects and decorators to design their houses and furniture, but about the great majority of the population, who have enough money, and ought to have the wish and the opportunity, to envisage something—if only a little—beyond the bare necessities of existence.

Now the great buying public to-day is interested in what is novel and fashionable and showy. Novelty and fashion are not necessarily bad, and novelty is inseparable from the change and growth without which neither art nor anything else can continue to exist; but, apart from that, the novelty

and fashion which interest the public so much have in themselves nothing whatever to do with art and beauty.

Public standards of taste for many decades past have been set by the salesman and the advertiser, and I suggest that it is for those here to take this job out of their hands in future. In saying this I am not blaming the salesman and advertiser; they have done what they have been paid to do, but so far as taste is concerned it has been a case of the blind leading the blind.

Our leading manufacturers to-day take a keen interest in the artistic quality of their products and in the whole question of better design; I know a number in the textile industry of whom this is true, and I believe it is true, too, of pottery and other industries. But the producer as such does not control the situation. It is controlled by those who merchant the products. The producers' own salesmen in big industries sell to wholesale buyers, who sell in turn to the retailer; the merchant house is the bottle-neck through which the products pass, and it controls their quality; the merchants' salesmen of course have to satisfy their customers—that is the retailers—who serve the public, and in theory call the tune—but generally only in theory and not in practice.

I should like to see special classes started in our big cities to educate the taste of wholesale buyers and salesmen; I should like to see manufacturers and merchants alike demanding a high standard of artistic taste from these men, and I am sure many of them would co-operate with great willingness if such a scheme was in existence. I know that some of you have already provided lectures in your art schools for buyers, and I hope that you will strongly persist in your efforts.

When we come to the retailer, who is spread through every suburb, country town and village, I suggest that local

education authorities everywhere should pay particular attention to him, excite his interest and enlist his help. What an enormous potential army of artistic pioneers exists here! Young salesmen all over the country might play a leading part in the real elevation of public taste.

Next I know that the economic bogey—the question of cost—will be raised all along the line, so it is just as well to see just how much truth there is in the cry that art introduced into industrial products will increase their cost. We must admit at once that there is a good deal of truth in it.

It is not necessarily true that the simplest form is the most beautiful; and a visible form—however perfect—which expresses function only, is in danger of belying the most important truth which art has to convey. It is not always true, either, that the simplest form is the easiest to produce. It is certainly *not* true that the form which passes most easily through a chain of mechanical operations is ultimately the most satisfying either to the hand or the eye of the user.

But, of course, it is equally untrue that ugliness is inherently cheaper than beauty. Occasionally such a happy result is attained that the object which is produced by the simplest means is the one which best satisfies the artistic eye: when that happens in a highly developed industry it is a real triumph of civilization. I think, too, we all feel that there is a true artistic relationship between the form and superficial texture of an article, and the material of which it is made.

Next we come right up against the question of mass production, which arrives at cheap costs only through multiple repetition of the same thing; i.e. the more the cheaper.

The endless repetition of the same object, besides deadening the taste and intelligence of the producer, is utterly wearisome in the end to the eye and the spirit of the user and



beholder, even if the design is good to start with. Human nature demands variety, and especially does it demand constant evidence of growth. This is as true of art as of everything else. But we must not forget that every new design means added cost: first, in making the original design, then in adapting it to the manufacturing process, and then in adjusting the machine to its production.

To produce a new woven design in my business often costs £50 or more before a yard of cloth comes off the loom. I once had a significant experience when I was manager of my Company's weaving branch. I got three leading artists to produce two designs each; these were, I thought, gay and attractive, and not alarmingly modern. As a result we sold six pieces of one only. I suppose the cost of that designing venture spread over the yardage sold amounted to £1 a yard extra; and it was only for a light furnishing fabric. That was an extreme example, but it taught me that we had to begin much further back if we hoped to introduce original artistic designs into commerce.

Now I am not blaming the salesmen and buyers concerned. Their immediate job is to aim at a big turn-over and a quick profit with as little economic waste as possible. That means finding out what the public thinks it wants most and selling as much as possible of that one thing, and as I said just now, the best designs are not often the cheapest; again, change and variety are not directly profitable, and it is hard to demonstrate their economic value. Therefore it is the task of education authorities to teach consumers—that is, the nation—that they must be prepared to pay a little in hard cash for this 'something extra' which has no material value: to sacrifice something economic for something spiritual. Artists must live, and craftsmen must be remunerated for the element of artistic feeling and knowledge which they put into their work, although it brings no direct

economic return; and, of course, added mechanical costs must be met. Art introduced into the common utensils and daily life of our people will cost them money. Few of them will appreciate it at first, and there will be trouble, friction and resistance. We must face this and be prepared to pay the inevitable price; the way will not be easy or smooth, and it will be slow. Yet I believe that the signs are more encouraging to-day than they have been for a long time; this is witnessed by the remarkable attendances at art exhibitions and at classical concerts all over the country, and it is another proof of a new and almost universal groping after those spiritual values of which art rightly claims a share.

One widespread prejudice to be overcome in Anglo-Saxon countries is the idea that art is something effeminate: unworthy of a man. I believe that here we have another charge to be laid at the door of the nineteenth-century Industrial Revolution. Certainly no such idea was prevalent in seventeenth- and eighteenth-century England, when the most dare-devil standards of conduct often went hand in hand with genuine connoisseurship.

Nor was this idea ever universal among soldiers or sportsmen. My own earliest introduction to music was made through two foxhunters of the old school who used to drive many miles in their dogcarts once or twice a week to play trios and quartets with their friends in the evening, or to rehearse with a country orchestra drawn from all classes. As to to-day, remember that our Prime Minister is an accomplished amateur painter who has spent very many hours in the practice of his fascinating art. After that, any further example would be an anticlimax.

An affected contempt for art was also one of the vulgarities of a flashy society. It was, I think, the author of the *Dolly*

*Dialogues* who made one of his characters—a lady who was trying to introduce a young man into the smart set—say with satisfaction: ‘I broke his violin with my own hands.’ The author was, of course, satirizing his epoch, but his target was a real one. To-day perhaps the pendulum has swung too far the other way, and in some quarters art has a false snob value which is a source of real weakness to it.

I think it is true that the visual sense as a road to aesthetic enjoyment is *not* very highly developed in England. It used to be interesting to compare the comments made by a French working-class crowd at the Louvre on a Sunday afternoon, or conversations which one sometimes overheard in cafés frequented by shopkeepers, with the things one heard in similar places in this country. The Frenchmen discussed the artistic qualities of the pictures and commented upon them most shrewdly: the English were almost wholly interested in subject-matter and anecdote. But we must not forget that in one visual art—gardening—we are to-day supreme. Cottage, homestead and country mansion alike testify to an innate love of purely immaterial and unrelated beauty. I cannot explain this paradox, but I recommend the English love of gardens to your attention.

One cannot discuss art education and leave out the sources of inspiration. Everyone who presumes to attempt any kind of artistic creation must be inspired in one way or another. First of all, every artist must have an individual inspiration—something within him—the product of his own soul—which he is impelled to express. I will not enlarge upon that. But he must draw upon outside sources too; otherwise he can express nothing to other people, and his impulse will be sterile.

There are two outside sources of inspiration: nature, which every man can interpret in his own way, and the

work of our masters and predecessors. Both should be drawn upon; separately and together too, for their interactions are very fruitful. Looking at pictures—from old Masters to French Impressionists and post-Impressionists—has taught me to see nature in pictures and pictures in nature, and I have derived infinite pleasure from this.

Again, it is a mistake to suppose that modern art and modern design have nothing to learn from the past. Artists themselves do not think this; they are proud to claim kinship with their predecessors; they recognize their parentage, and many of the most up to date and progressive among them have an enthusiastic appreciation and knowledge of the old Masters.

Again, French designers habitually frequent their historic collections and draw inspiration from them; and, say what one will, France has led the way for the whole world and produced the best textile designs during the last 200 years.

Now I have heard it said that some teachers of designing in our schools strongly discourage their pupils from visiting art galleries and collections of modern work. I cannot think what their reasons may be, but they can only be based upon false views. Doubtless a kind of snobbery still exists which only grants any value to what is old, a slavish adherence to safe and respectable traditions linked with ideas of social prestige. This is utterly out of keeping with our modern world; it arouses a natural antagonism, and is likely to damn any cause with which it is identified. But the counter snobbery begotten thereby is no better; that is, the complacent assumption that the present generation can throw overboard the inherited taste and wisdom of the past and create a totally new and better art by its own bright intelligence alone. I believe that each of these habits of thought, if analysed, will be found to contain a hard core of prejudice which has nothing whatever to do with art. One

## LEGACY OF THE PAST

thing is certain: no art will make a lasting appeal to the world if it disregards all the inherited tastes which link us to the past and have almost become instincts.

Now therefore I want to appeal to you to make better use of our Galleries and Collections, and particularly to encourage our designers to open their minds to the treasures of the past. Our public Galleries are far from being made the best use of; yet our Museum directors, if they have the intelligent co-operation of education authorities, will do everything in their power to make the Collections in their charge a living influence. Again, our private Collections are hardly known; but do not hesitate to press the owners for permission to see them; more than that, try to interest the owners in the task we have in hand. Many of them feel already that they are trustees of treasures which the universal spirit of mankind has created, and which our society has allowed them or their forebears to collect and preserve. Many a private owner of a few drawings will gladly show them to a small appreciative group, and he will never be better pleased than when he can transmit a share of his enthusiasm to newcomers. Such an experience may very likely be more inspiring to young people than visits to public Galleries in the large regiments which one sometimes encountered before the war.

I think a great deal more might be done by lectures, both inside training establishments and outside of them. A lecture by an enthusiast can be very inspiring. We do not want 'dry-as-dusts', nor men with pet aesthetic hobby-horses to ride, but men who have a strong simple love of art, and enough experience either in the practice of it, or in art study, to prevent them from talking nonsense. We do not want to teach art history in particular; although this history is important and fascinating, it is rather a specialized subject. I happen to be connected with an Institute which bears my

name, and the director is entitled 'Professor of the History of Art'. This I really think is a misnomer, for want of a better name. What we endeavour to teach there is art appreciation, and the scope is much wider than that of history alone. Art appreciation can be approached from many angles, and certainly the training of experts in art criticism is not what we are concerned with here.

Roger Fry, whom I have mentioned already, was an ideal art lecturer. A painter of a modern school himself, he had an equal knowledge of, and enthusiasm for, the ancients, the classics, and the ultra-moderns. He was not much interested in attributions, or in the local and scholastic sources of an artist's work; he drew attention to the broad human emotions and the inner spiritual content of a work, and the artist's own aesthetic contribution and skill in expressing these. What he aimed at was to arouse his listener's sympathy by making him see what was best and not what was worst in the work before him, and he certainly excelled in this. Nor would he have the beholder's personal prejudices obtruded. I remember another saying of his: 'You must approach a work of art as you would approach a royal personage: that is to say, in silence. Otherwise you risk hearing nothing but your own voice.'

There may not be many Roger Frys, but there are many men in the world of art who are imbued with the same spirit, and would be proud of the chance to communicate it to others.

I have not said anything about the great question: teaching the teachers. Art education covers so little ground at present that in most cases this means beginning at the beginning, and I am not fitted to discuss details of organization, staffing and training. But one thing is fundamental: whether we think of teachers in elementary schools or teachers high up in an artistic training college, we must

make sure that they are interested in the spiritual values of art as well as in its practical applications. Certainly I see no reason why 'art and crafts schools' should not serve as local centres for cultural activities beyond the actual sphere of teaching, so long as they do not put utilitarian aims first.

This brings me to the end of what I have to say, and round to the beginning again. I have already affirmed my belief that art is next of kin to religion: *that* places it above the possibility of material valuation. It is precisely where art transcends the boundaries of utility that it reveals itself as one of the great forces which separate man from the animals.

The Parthenon is not only beautiful because of the perfect marriage of stone and structure; it is also beautiful because it is planned with subtle lines and measurements which are wholly non-utilitarian, and whose only aim is to counteract certain deceptive impressions of the eye and add to visual harmony.

The spirit of the Baroque makes its great appeal because it demonstrates that man can afford to ignore functional laws in his search to create non-utilitarian beauty.

Like religion, art is *not* the servant of utility, and whether mental and spiritual values happen to coincide with material values or to run counter to them *is not of supreme importance*.

This is the great lesson which has to be taught if art is going to give us its best. Moreover, the way to receive its gifts *can* be thrown open to all; it is not reserved for the wealthy, the idle, and the learned; and it is for us to give practical demonstration of this possibility.

SOME INDUSTRIAL  
RELATIONSHIPS<sup>1</sup>

I HAD an experience a few weeks since which emboldens me to begin with a kind of declaration of principle. I was asked to start a discussion at a similar group to this, and before doing so I wrote to the Chairman saying that he had better realize that I was an idealist. At the meeting I said: 'I think your Chairman is afraid that I am going to talk to you about religion and art, but though I believe that they are the necessary foundations of our whole modern civilization, I'm not going to ask you to discuss them this evening.'

But after the discussion a member of the group, whom I had regarded as a strictly practical man, came up to me and said: 'Why did you say you wouldn't talk about religion and art? That's just what we ought to hear about.' I must say that this gave me quite a thrill, and a good deal of encouragement.

Now, on the strength of that, I'm going to say what may seem at first sight out of place at a meeting of business men who have met to discuss practical business affairs. I *am* an idealist, and I believe that the worship of material values is the fatal disease from which our age is suffering, and that, if we do not eradicate this worship, it will inevitably destroy our whole society and not even leave us any business to discuss. We must steadfastly keep on reminding ourselves all the time that material efficiency is only a means and not an end. In many of the questions which we have to consider (such as human relationships in industry) the connexion

<sup>1</sup> An address to the Engineers' Club, Manchester, 12 June 1942.



between the two is obvious, but I believe that it is necessary to bear this thought in mind in every question which we have to deal with. If I did not tell you that this is my firm conviction (and it is one which has been growing in me for twenty-five years) any suggestion I made might be rightly suspected of insincerity.

It is easy to see how this fatal materialistic worship has arisen. The germs of the disease have of course been alive within us since the beginning of history; they have now got a terrifying hold upon us simply because of the spectacular achievements of mechanical science and the great growth of material wealth in the last one hundred years or so. Man is fooled by his own superficial display, and thinks that he can win a much surer kind of salvation through material means—which he thinks he can understand and control—than anything he can find in the domain of the spirit. The pathetic truth is this: man does not really understand and control these forces with which he plays, and by unloosing them and then worshipping them he is sowing the wind to reap the whirlwind, or burning himself to death like a silly child.

All this is of course platitude, but I am not afraid of enunciating platitudes: they are often truths which everyone knows so well that in practice they are as good as forgotten.

I mentioned art and religion. To take religion first: there are certain basic religious principles which are, I think, universal; at any rate they are common to every Christian, whether orthodox or not. One of them is that service comes before profit. Religion does not rule out the profit motive, but it rightly puts service first. To-day less than ever should we resent religious assemblies taking an interest in the conduct of industry; we ought to welcome their doing so, for it is clear to me that, unless it is aided by something for which I cannot find a better name than religion, business

itself is bound to be shipwrecked. I think that business men who join hands with religious groups which are actively interesting themselves in the evolution of industry deserve our gratitude.

Recently, in an otherwise stimulating book by Francis Williams, I read these words: 'In a world *which must be* increasingly dominated by economic and materialistic considerations.' Note the *must be*. I hardly think the author realized or believed what he was saying, but it made me shudder; and I cannot really work in harness with anyone who, if he considers all the implications, does not shudder too. The author is not quite consistent, for a few pages later he says: 'Our new values have brought with them a deepened conception of the spiritual values of civilization.' The only way to reconcile these two statements is by reaching the miserable conclusion that, although we have at last come to acknowledge the superior value of spiritual things, we have now got into such an inextricable mess, by yielding to economic and materialistic considerations, that every step is bound to fasten their chains more firmly upon us. What a cowardly conclusion! Economics and material progress are our tools; God forbid that we should lie down and let them dominate us!

I have always protested against the idea that in any domain directed by man's intelligence—and that is the whole human domain—things are *bound* to happen: that man is not master of his destiny, but the victim of blind malignant fate. For in the human domain things are only *bound* to happen if our effective leaders *think* they are. If they think that things are not bound to happen, and don't want them to, then those things won't happen.

I should like to give my favourite definition of man for you to ponder over. 'Man is the non-economic animal.' Practically all the activities of all other animals are dictated

—directly or indirectly—by the struggle for survival. Only man has developed surplus power which he can turn to immaterial ends, and that power makes him man.

As for art, that is perhaps a *more* personal matter. I don't believe that the civilizing influence of art is more powerful than that of religion, but perhaps it is even more widespread. It binds all parts of the world together, and every epoch to every other epoch.

I suppose that my main fear of Socialism is that in practice it would soon lose or destroy most of our culture, future as well as past. This is merely because real culture will not command many votes in a Socialist Party until the masses are really educated; and how long will that be—at best? But perhaps I am too pessimistic even here. An old friend of mine, who was once a Conservative M.P. and held important Cabinet offices, said to me that he would sooner leave culture in the hands of a Socialist government than in those of the Conservative Party '1922 Committee'! Anyway, a certain amount of private wealth and leisure is still needed to keep culture alive; those who have more worldly goods than the majority can perhaps best justify the difference by directing their spending-power to that end. The defence of culture is the soundest plank in any political programme which sets out to combat the cry for equality of wealth.

All I have said amounts to this: that nothing we do will be lastingly effective unless we always remember that spirit dominates matter; and, if the good spirits won't do that the evil will.

Now to get down to brass tacks. Employers, capitalists, call them what you will, have got to realize a few unpleasant facts, and, although I am an idealist, I can see some of them plainly—and I see those which tell against ourselves as plainly as I see the weak spots in the opposition case. But

some case-hardened employers keep their heads in the sand, or else they have such a rush of blood to the head whenever change is hinted at that they are equally blinded in another way; but they have a limpet-like grip, and they influence the affairs of all of us as well as their own.

One awkward fact is that very many people in this country to-day condemn the capitalist system. Rightly or wrongly, they condemn it; many of them are highly intelligent, active and disintérested, and their total numbers probably constitute a political majority. All reports say that their numbers are rapidly growing.

Another fact is that many dark patches in our society are either directly due to industrial capitalism, or inextricably bound up with its history. Such things are slums, malnutrition, derelict districts, etc. For my part I think it is cowardly to plead that these evils are inevitable; they are not due to blind chance; they are largely due to the acts of the last few generations of the governing classes. Labour as a class has exercised no control at all until quite recently, so we cannot blame them; but they can blame our class, and they can logically demand a share in future control.

Here is a fact of a different kind. Legally, boards of directors are trustees for the shareholders who have invested their capital in a business. But another thing which I can't help seeing is this: the workman has invested his capital too—all that he has—his body, his brain, and his experience. Moreover, he cannot spread his risks as an investor can do, and often he finds it almost impossible to shift *his* investment, even if he sees the business going on the rocks. Why should not the board of directors include trustees for the workman's capital as well as for that of the shareholders?

Recently I was taken up for speaking of making 'concessions' to labour, and I admitted at once that the word was ill-chosen, and did not represent the true colour of my

thought. We have to rule clean out of our minds the idea that labour is the enemy, and we must not make concessions grudgingly, in secret fear of our own impotence. We must willingly offer and ask for honest co-operation; we must be prepared to give labour a share in the management and control of industry from top to bottom, and to see their representatives rise step by step right up the ladder as soon as they can make themselves efficient. Such a course, like any other forward policy, involves risk as well as difficulty, but 'safety first all the time' will get us nowhere; we must estimate the risks and take them with our eyes open.

It seems to me that in one way or another we must offer labour full and free partnership; we must not fight a delaying rear-guard action to hinder them from encroaching upon territory which we jealously regard as our own, but we must advance side by side with them to tackle the problems of the future in the common interest of all.

I have been speaking of the relationship of employers and employed. When we come to the relationship between Government and Industry, there are not many demonstrable facts to point to, for we are entering into territory which—unfortunately—mostly consists of unproved theory. Still, it is possible to apply our reasoning power to the problem. I said something fairly definite about this in my article in the *Economic Journal*. It was to the effect that in my opinion the power of modern industry as grouped together to-day is so great that any government is shirking its duty which does not take overriding powers to step in and exercise control in any specific matter where it considers that the common interest demands it.

That does not mean that government departments should become business executives (God forbid!) and on this point I have very definite views. All government departments

which deal with industry need a radical overhaul, if not complete recasting. They will need this even if they are not to do more than exercise such overriding control as I envisage; otherwise control will be disastrous. They need a new field of recruitment, a new kind of training, new traditions, a practical and business-like mentality, new methods and a new organization. Even in peace-time 'safety-first' must not be the supreme consideration. The Board of Trade is the department which concerns us most, but many others do too. The king-pin, I suppose, is the Treasury, which I regard as a menace to national growth and national safety alike. We all know that the Treasury's much boasted financial control, and indeed their whole financial system, is hopelessly out of date and ineffective, and that it would not be tolerated for a moment in any business undertaking. It does not stop terrific waste in great things and in small: its only function seems to be to keep the brake hard on all the time.

In saying this I am not belittling Civil Servants as individuals: they are highly intelligent, hard-working, disinterested and devoted men, and their general standard of honesty is the highest in the world; but none is strong enough to break through the meshes of the web which is wrapped about them. But if labour and capital were to join hands in demanding root and branch reform of the machine, no government could resist.

Some of my critics have inferred that I am in favour of monopolies and great combinations because I took for granted that the tide was flowing that way at the present time. The inference was due to misunderstanding; personally I hate monopoly on principle, and I also mistrust the 'bigness' of big business, partly because I doubt its real efficiency. I think that big business may shortly be on trial for inefficiency as well as for tyranny, and I am so much of

## LABOUR'S RIGHTFUL SHARE

an individualist that I should not be sorry to see it lose its case.

Before I come to my concrete suggestions may I read a few lines from the *Toronto Star* of 18 April, which was put into my hands after I had sketched out what I was going to say to you? I know nothing about this newspaper, but the writer dotted the *i*'s and crossed the *t*'s of my article in the *Economic Journal* before I had time to do so myself. This is what he says about the rightful position of labour in industry:

The man who invests his money in a concern has too long monopolized the term 'investor', which should be just as applicable to the laborer who invests his very life in it. The right of capital to a fair rate of interest has been regarded as paramount; the right of labor to a fair remuneration has been regarded as secondary. Labor has only been able to overcome this prejudice (to the degree to which it has been overcome) by organizing into unions and asserting its rights. The trend is and will be towards a wider recognition of these rights; towards a recognition of the fact that capital and labor are partners, not master and servant.

This is about what I called gambling in industrial counters:

Industry is nowadays compounded of perspiration, organization, capitalization and manipulation. The last-named is just what this British industrialist calls it—a disease. The other three components are normal and necessary. The perspiration is supplied by labor, including white collar labor—physical perspiration or mental perspiration as the case may be. Organization is supplied by management, which comes midway between labor and capital, perspiring mentally as white-collared labor does, but in many cases having an investment of its own capital in the industry. Capitalization is supplied by individuals, or, in the case of public ownership, by the community or the state. Manipulation is supplied by gamblers who are not

really interested in an industry as such, but who are bent upon enriching themselves by buying and selling industries, speculating in industrial stocks, and gaining control of industries so as to operate these to their own advantage. This is the malignant disease to which Mr Courtauld refers.

I was interested to see how correctly this Canadian editor has interpreted some of my ideas.

Now for my few suggestions. Briefly they are:

(1) *That labour should be admitted to share in the highest executive functions of management, and allowed to acquire full knowledge of the financial structure and the policy of business.*

I advocate the appointment of labour representatives to the boards of companies; their primary duty would be to safeguard the interests of the workers, but they would have all the rights and powers of other directors.

I think the best way to make such appointments satisfactory to all parties would be to have such directors nominated—of course in agreement with the board—by the trade unions. Their appointment would then have to be ratified in the ordinary way by the shareholders.

Recently I broke into a gathering of directors of my own Company, who were—unprompted by me—discussing this very question. They all agreed that labour ought to be represented on the board. They thought that to have a representative chosen by the board would not give much genuine satisfaction to the workers. Next, it would not do—at any rate as things are at present—to have him elected directly by the workers; we should only get a politician or a glib and unpractical orator. My colleagues thought he should be nominated by trade unions' headquarters; of course, as no secrets should be kept from him, he would have to be a man of undoubted integrity and discretion.

(2) *That the Government should appoint a director to the board of every company, or group of companies, above a certain size.*



## LOCATION OF INDUSTRY

He again should have the full knowledge and powers of any ordinary director. He would be entitled to report to the Government whatever he thought fit, and would of course exercise any such special powers as might be given him by statute; for instance, with regard to the location of new factories.

In any business or industry which was in any way indebted to the National Government for financial support, either by way of direct loans, subsidies of any kind, or protective duties, it would be one of the chief tasks of the government director to look after the use made of the national contribution and weigh up the whole business financial structure from the national point of view.

(3) *That no factory should be erected anywhere without the agreement of a central government department.*

Such a department ought to have such a wealth of information at its disposal that it could be of very great assistance to businesses seeking new locations, even if it sometimes vetoed their suggestions. Things like transport facilities, housing schemes, and disposal of effluents occur to one at once. But to my mind the overriding considerations upon which the Government should give the final verdict are: the amenities of all classes of neighbours, and the possibility for the workers to live in civilized and inspiring surroundings. These two considerations should in nine cases out of ten overrule all others.

In deciding this question of the location of industry the Government might be guided by a panel, representing: (a) Employers; (b) Labour; (c) Local interests (Local Bodies, M.P.'s, etc.); (d) General economics; (e) Medicine; (f) Amenities—which is in itself a vast field, including the protection of our architectural and artistic treasures, and the beauties of the countryside.

(4) *That the Government should watch, and, when necessary,*

*control the intake of all labour into all industry, particularly as regards children and young persons.*

*(5) That technical education should be greatly extended as a public service under government authority, but with the full advice and assistance of industry.*

These suggestions are enough for a start. They are far from covering the whole ground, but I think if employers could bring themselves to accept some such proposals, and take the lead in putting them forward without making any private reservations, that alone would go a long way towards bringing about the peaceful and efficient evolution of industry.

## VI

### FURTHER THOUGHTS ON INDUSTRIAL RELATIONSHIPS<sup>1</sup>

I DO not flatter myself that I have any clean-cut remedy for all the evils of industry, but I thought I knew enough about some sides of it to set my fellow-employers thinking a little more deeply. I very soon discovered that a large number of industrialists—far more than I expected, and the ones I should call the really live men—held views at least as liberal and advanced as my own. In general, I have had very little hostile criticism from business men, though I have annoyed a few of them. My experience of the last nine months has proved unmistakably that progressive employers think as I do, and *that*, I think, does justify me in claiming to represent a large body of opinion—opinion which is very widespread though little organized, which is identical in its essence and its general tenor, although it includes many varied views upon points of detail.

I have been struck at many conferences by the sincerity and earnestness of the more energetic men present: by their frankness and readiness to admit past error: by the overmastering impulse that is in them to work for the good of the whole community: by their freely expressed belief that capital and labour should not sit on opposite sides of the table. These, I believe, are the men who really control industry to-day, and their power and numbers are rapidly growing.

But what surprised me is the suspicion which I have aroused among socialist writers. I can only think that this

<sup>1</sup> An address to the Society of Friends, Oxford, 22 August 1942.

is due to a fundamental misconception of my whole attitude; certainly, however differently I might have framed my case, I should never have tried to combat this suspicion or to forestall an attack from this particular angle, for I should never have expected it. Of course, I did not expect Socialists to embrace all my ideas, but I did think that, if they paid any attention to my words at all, they might have credited them with their plain face value.

However, I seem to be accused of being the advance-guard, or the cat's-paw, in a Fascist campaign: my intentions are said to be sinister: if I have refrained from holding forth on some subjects about which I know very little, this is said to be significant—I don't know of what: I have been called the high-priest of materialism, and told that I want all but a few of my fellow-countrymen to be nothing but cogs in a machine: I have even been honoured by having my name coupled with Hitler and Mussolini! (A writer in the other camp coupled me with Karl Marx: perhaps these left-handed compliments cancel out.)

But I don't understand the ways of political controversy, and their first impact upon me was rather disillusioning. When anyone proposes something to me, I begin by considering the value of what he says he is offering—*not* by saying to myself that in reality he intends to deliver the exact opposite. There is more to be lost by taking an honest man for a knave than by taking a knave for an honest man.

My address has been announced as 'An Industrialist's View'. That gives me a wide field, so I would like to tell you my view of the Fascist bogey—I am speaking of course of this country. To my mind the Fascist movement here has never been more than an ugly farce; to think that industrialists as a whole—or any significant number of them—harbour designs to turn England into a Fascist or totalitarian state is

to me the sheerest nonsense. The movement was started by a few hotheads, malcontents and adventurers, whose ultimate aim was personal power. They fed their dupes upon the fear of Communism; naturally the Communist Party magnified the bogey as much as possible, for nothing could suit their book better. No doubt the Fascist leaders nobbled a few wealthy fools and possibly a few industrialists (they tried to throw a fly over me once, but the attempt did not last five minutes) and there may be a few property owners who are scared of the future and would turn to Fascism to save them—as a last resort.

But to imagine that the movement carries any weight at all in the minds of the great majority of business men is palpably absurd. I have been in contact with a great many lately, and it cannot be just a coincidence that I have never detected any hint of sympathy with Fascist or totalitarian ideas among all those I have met—and I have been on the look-out for it, for I was prepared to attack it at once. If any kind of man in this world is fundamentally individualist it is the English manufacturer and trader, great and small. The idea of regimentation of any kind—whether from the Right or the Left—is anathema to them. It may even be that they exaggerate in this; it is hard for me to judge, for I share the feeling so strongly myself. At any rate, it is strong and widespread enough to present an insurmountable barrier to Fascism (and Socialists will have to take it into account, too, in their state-planning).

No. If I have found many business men to agree with me, and welcome my little effort, it is not because they have some Machiavellian idea of using me as a totalitarian cat's-paw: it is because they are genuinely progressive and liberal-minded.

Probably the most useful thing I could do here would be to make some of you believe that. All my life—and I have

been over forty-five years in business—I have fought against the closed mind. In my earlier days I fought closed minds among the last generation of employers—honourable and hard-working men, very humane according to their lights, but soaked in mid-Victorian doctrine which they were incapable of calling in question, and sometimes perhaps believing that God had ordained employers and employed as two separate classes. I tried to make them see that they and their workpeople were one class, and not two: to make them realize and appreciate the workers' outlook as keenly as their own: to make them admit the folly of such ill-founded arrogance. By now that old generation has pretty nearly disappeared (though liberal views are not by any means the prerogative of youth: very often old men are more open-minded).

To-day, I sometimes find I have to fight against a closed mind of a different kind: people whom I can only call doctrinaires, who often have very little practical experience, but think that they alone see the light, and that their opponents are either deliberate deceivers of others, or honest but self-deceived fools whose whole experience is worthless because they stand upon the wrong track: anyway, that is the impression often left upon me.

Doctrinaires of any colour have always aroused my antagonism. The claim to have found the one and final solution amazes me, and unless people admit their own liability to human error, and admit that opposing views may contain some elements of truth, all consultation and co-operation is impossible. But please believe me: it is not only purely Socialist views which sometimes strike me in that way; quite as often, or more, I have been dumb-founded by Right-wing pontiffs.

But I want to convince you that the majority of go-ahead employers are not fools: that they are not playing any

dishonest political game: that self-interest is not their first and only motive, and that they have much to contribute to the common good. Everyone is entitled to his opinions and to the free circulation of them; I only ask all of you to give serious consideration to the opinions of other sections than your own—particularly to those of men of practical experience; but this is impossible if they are regarded as knaves or fools from the start.

Those who take their stand in the middle always get shot at from both sides; they are called woolly and unpractical—or they are suspected of every kind of deceitful or cowardly compromise; often the moderates perish between the opposing armies of the extremists. Yet experience and history tell us that they are not futile and unpractical people. Sooner or later, after the battle is over, things settle down for a time somewhere near the new middle line which they have advocated (which represents a consolidated advance from the pre-existing position).

Then why do so many of those who are unquestionably inspired by a belief in real progress so often set out to discredit those who stand on intermediate ground between the extremists? Is it because, in spite of their assumption of certainty, they know inwardly that their own doctrines are not really proved, and that the men of moderate views are far more dangerous critics of unproven claims than any 100 per cent extremist in the ranks of their declared enemies? I think the question is worth asking. I have said some hard words to employers and accused them of wilful blindness to their own positive faults, as well as to their own weaknesses. I think I should be equally frank here, and I know you would not expect anything else.

You may ask what, if anything, I definitely stand for. A lady asked me recently, in speaking of culture, what my ultimate aim was. I did not quite know how to interpret

her question, and asked her: What was hers? So far as I can remember, she said something like this: to make it possible for every human being to receive all the culture he was capable of absorbing, and thereby to develop the best that was in him. I cannot swear to the words, but I think that was the sense of them. I replied that that was exactly my ultimate aim too.

Now, I have mentioned this at this point because I must put first things first. The other day, before a group of business men, I said a good deal about religion and art being the most important things in life—which is my belief. I also said that no real human advance was possible unless it was recognized that materialism must be put in the second place.

There isn't time for me to enlarge on religion or art—and I should hesitate to expound the first in this company—I only want to put it on record that my view was very warmly welcomed by many of those present. But I must say a word on materialism, for I am convinced that it is the worship of materialism—encouraged, of course, by its spectacular successes in modern times—which has brought the world to the edge of the precipice. The bearing on my immediate subject is this. We pay a lot of attention to economists to-day, and every political party tries to prove that its doctrines are based on sound economics. Russian Communism, I believe, practically makes economics its god, and rules out the worship of the Christian God. For this reason, if for no other, the Russian system must change or fail. Someone said to me lately, apropos of Russia and the war, that everyone must acknowledge that Russia had 'delivered the goods'. True! Russia has proved a great revelation to all of us, and I am the last person to belittle what she has done, for I am bound to acknowledge great accomplishment wherever I see it. But, I thought after-



wards, Christians dare not make efficiency the ultimate test of virtue. Those who do will find the argument a two-edged one, for Germany has delivered these goods even more efficiently than Russia.

Economics, in so far as it is a science—and it is only in its infancy—is a very material science. It takes too little account of human variations and human wishes and seems to see men as rows of figures. For that reason economists must be the servants of the community, and not its masters. No true social creed or system must make a god of economics; material gains are a means to spiritual ends, but they must not be allowed to take the first place.

Well, I have given you a part of my creed, and now I will come down to a more practical plane, and speak of some practical functions of the State as I envisage it.

The first function is that of the policeman, and the State must never lose sight of it. Even this is not very simple to-day, and the more complex and interdependent life becomes, the more important is this duty. The power of the policeman must always be directed by a moral code believed in by the great majority; above all, state power based upon espionage is utterly hateful.

In industry, as in other matters, the State must have a far-reaching power of veto. It must be able to say 'Thou shalt not do this'. I won't enlarge much on what I said in the *Economic Journal*. I gave as instances two fields where I think there is immediate need of state control.

With the control over the location of industry I coupled control over the intake of labour. Especially, the State must not allow the employment of boys and girls in blind-alley occupations.

I do not advocate these things—and I think there are many other restrictions which I would welcome—because

I love state interference for its own sake; far from it! But I see that industry is an activity which is so vast and important, and that individual industries may become so far-reaching and unified, that it is the plain duty of the State to watch and, where necessary, control their activities in the interests of the whole community. This does not make a totalitarian state; it simply means that the community, through Parliament, must protect itself against sectional exploitation.

The idea of the corporate state, in which men are ranked and represented according to their industrial callings, and which is run with its eyes solely upon business efficiency and profit, is a barbarian conception, no matter who receives the material benefits.

Again, I do not believe in the bigness of big business, or in the principle of monopoly. Monopoly is a danger in many obvious ways, and its efficiency is precarious, because it breeds complacency. Although the recent tendency has been more and more towards combination, I think the tide of expert opinion may be beginning to turn. At any rate, I am quite sure that in every undertaking there comes a point where any further increase in size leads to inefficiency; modern thought and modern inventions may turn us back towards greater differentiation and smaller independent units. I hope so. Certainly the overgrowth of government-production departments has taught us many startling lessons.

Now I come to positive functions; how far should the State go beyond 'Thou shalt *not* do!' and say 'Thou *shalt* do!'? I still believe that, in the main, private enterprise, particularly in the early stages of any industry, is likely to be more fruitful for the community at large than state ownership.

The willingness to jump to quick decisions and take risks, much trial and error, heavy occasional loss, and above all the unfettered friction of mind on mind are absolutely

essential to growth, and these liberties and stimulants are never likely to be given free rein under state departments, which are weighted down by the magnitude of their liabilities and almost bound to be obsessed by orderliness and safety—admirable things up to a point, but essentially negative.

But I won't dogmatize, and in any case I would make many exceptions. The State already runs one great business—the Post Office. I have no complaint to make of that, except that the telephone service might be enormously improved.

Then there are various semi-state institutions, such as the Central Electricity Board, the London Passenger Transport Board, the Port of London Authority, and the B.B.C., which are run with varying degrees of efficiency. It is clear to me that what are known as 'services' must be subject to one form of state control or another. There are many models, and one is state ownership. I feel that transport, by rail and by road, in such a small and populous island as Britain, must be brought under one controlling head.

I think, too, that a good case can be put up for the nationalization of coal-mining, if only because the industry has been in such an unsatisfactory state for many years. But I have little first-hand knowledge of this.

Then there is the immense question of government control of the land. This will be necessary in connexion with the future location of industry. It should be applied, too, to all urban land, present or future. That only leaves agricultural land; it would be logical to include that too, but that argument by itself is never a sufficient reason for making changes. Control of land, of course, may mean anything up to expropriation and state ownership, and this may be the best solution in some cases; in any case, speculation in land should be stopped completely, and owners, though they are

entitled to compensation, cannot expect to 'standardize' values for ever, so to speak, on the basis of lucky speculation in the past.

Next, I think that our banking and insurance systems need reviewing from top to bottom to see whether, or how far, they should be taken over by the State. Banking is one of the oldest human institutions; therefore perhaps some of its maxims are out of date, and want re-examining without prejudice. I am a complete amateur in that matter, but I do know that there is enough divergence of views among economists to make it probable that our present system is less perfect than it ought to be.

Now I come to my own field—productive industry or manufacturing. People say to me: 'I see. You would nationalize everybody except yourself.' That is not quite true. I see no principle dividing the treatment of industry from the treatment of 'services', but I think the case for the nationalization of industry is usually far weaker. In the first place, no single industry is as all-embracing as the services I have mentioned. Next, industry—I suppose because much of it is younger—is usually in a more healthy condition. Next, its success is more dependent on individual originality, courage and enterprise. Lastly, it is far more varied and complex and therefore a more difficult proposition for the State to tackle.

Nevertheless, I think the State should experiment. When an essential industry is obviously in a bad way—say incapable of paying proper wages—the State may have an unanswerable case for stepping in. Again, when there is a definite need for a new development, and private enterprise does not undertake it, the State is right to do so.

In any case, trials can be made. If the State makes good in an industry, and proves, on unbiased evidence, that it

can manage it as efficiently as private enterprise, it has a very good case for going further. But it should proceed step by step; by trial and error.

In general, however, I think it would be fatal for industrial development to rely wholly upon state inspiration. I am sure that by far the greater part of it must continue to come from private individuals, and if they are fettered too much in this, England's future will be a miserable one.

As regards the state control—in distinction to state ownership—of business, I have advocated the appointment of government directors to the boards of large companies or groups of companies. These directors should have full rights of information and inspection, and a voice in all board decisions, in addition to such definite overriding powers as the State might decree. Their function would be partly that of the policeman, partly constructive. I am not wedded to this proposal, but I would like to see it tried. There may be other and better ways of securing what is necessary.

Now I come to the third function of the State, and perhaps the greatest; that of education. I simply cannot think how the brief references to education which I made in my article in the *Economic Journal* have been so completely misunderstood. No one, I suppose, maintains that every boy or girl is equally capable of absorbing every kind of education or the same amount of it: nor, I think, does any one advocate such a uniformly general education that there should be no specialization. Because I said that administrators needed a *wider* type of education than craftsmen or specialists, it has been assumed that I aimed at producing a privileged grade of superior officers drawn exclusively from what I suppose would be called my own class. Nothing was further from my thought, and I can't understand how such an interpretation could have been put upon it.

Anyway, what a teaching system should do is to educate everyone in accordance with their capacity, as fully as possible and irrespective of class. Such education should be open to all comers and made possible for them, and the offices which it leads to should be equally open. My aim here is exactly what I said in connexion with culture. I neither want to perpetuate, nor to create, any privileged class. The best men whatever their origin should be enabled to reach the top, and the ideal state for me would be the one in which everyone was at least as well educated and cultured as myself, and most of them more so.

I haven't said anything yet about the present relations between the upper and lower ranks in industry. I don't know what better word to use; ranks there must always be under any system; individualist, capitalist or socialist. This necessary conception in no way implies the existence of unchangeable water-tight castes.

I have suggested, as an immediate step, that industrial companies might invite trade unions to nominate representatives for seats on their boards. I think this experiment might well be tried, first where it is most likely to be a success. Naturally, candidates would have to be acceptable to the existing directors, but I don't think any board would make this offer unless they genuinely intended to make a living thing of it. The first duty of such directors would be to look after the special interests of the workers; in other ways they would have all the powers of other directors, including the same access to all information; naturally, they would be expected to work for the good of the business as a whole.

Perhaps it would be useful if I gave some account of the composition of the board of my own Company, and of the shareholders. It is, at least, a working model. My board includes four members who manage the production side,

i.e. the factories; the two chief salesmen; the chief chemist; the chief engineer; the chief accountant; three who helped to look after the foreign companies and were on the executive boards of these, and two or three who have passed through one or another of these channels and are now chiefly concerned with general administration and policy. That is practically all. There are two older men who are no longer so actively engaged in business; all the others are full-time business workers.

No outside financial interest, so far as I know, has any very large holding in the shares of my company; no bank or insurance company, or trust company, or other industrial company, and no such interest has ever tried to get a representative on to our board—never even proposed it. My Company has over 80,000 stockholders, whose average holding is under £400 of stock at its face value, or £700 at to-day's market price. The average dividend, after paying income tax, is about £14 per annum.

There are no large blocks of shares, held by a few stockholders, which could control my company. All the directors and their friends, put together, only represent a small fraction of the total stockholding, and there are no outside interests powerfully represented on the stock register. No attempt has ever been made to mobilize any block of holders to impose a policy upon the company, and no poll of votes has ever been taken.

Power is always open to abuse, and no rules can completely guard against it, but it is useful to see how, in fact, it is used. Honest directors pay as much attention to the interests of small shareholders as of large: no holder, whether large or small, is ever thought about individually; this is a cardinal rule, though I do not pretend that all directors are always honest. But power in the hands of politicians—especially demagogues—is not without danger too.

Now I think that the trade unions which nominate directors should have power to recall them. The last thing I want is any kind of 'eye-wash'; I want the specific interests of the workers to be better represented and better protected; I want them to learn more about the business they are employed in; I want the road thrown open to merit right up to the top.

Boards of directors should be trustees for the workers as well as for the shareholders, for the worker usually invests his whole capital—that is, his body, brain and experience—in a business, and is *ipso facto* a shareholder.

Now I have made my few concrete suggestions, but I want to add something about employers. To begin with, they are not a class; they are a fortuitous lot of individuals. Modern employers do not want to found dynasties; they expect their sons to pull their weight and work for a living in a working world. They look on themselves far more as executives than as shareholders, and dividends are not their first consideration. What actuates them chiefly is pride in good accomplishment; naturally, they would consider it a betrayal of trust to hand over their jobs lightly to men whom they thought less competent than themselves.

You can't make a clear class division between capitalists and managers and experts. On the headquarters staffs of most big companies they are inextricably mixed, and very often they are the same people. In any case, they are not mutually antagonistic, and the uniting impulse is pride in the job. The workers are much nearer to them than are shareholders, and they regard themselves and the workers as part of one team. I know that there are still some reactionary employers, but they are rapidly fading out, and are least often to be found among the most useful and go-ahead firms.



Moreover, efficient business men do not live like bloated plutocrats; very few of them spend their money on extravagance and ostentation; very largely, and usually wisely, they spend it on the support of the sciences, scholarship, and the arts. This may not be the most ideal kind of support, but it is about the best which exists to-day, and it cannot be ignored. Lastly, the idea that they find satisfaction in looking on themselves as a superior class, with a divine right to stay at the top, is quite meaningless to-day.

To turn to something else for a moment; I have drawn a sharp distinction between industry and finance, and most industrialists share my feeling.

We are suspicious of banking, because we think that it is often over-paid for its services, and also because we doubt its efficiency. Historical development has given it a privileged position, upon which it is apt to trade.

We are suspicious of company promoters and gamblers in stocks and shares, because they want something for nothing, and do far more harm than good. We are also suspicious of bureaucracy, because it is inefficient, timid and inhuman; and of economists, because they too are inhuman, and hold too rigidly to their mathematical theories.

We hold different views about advertising; some think it is beneficent in principle; some do not.

We do not like the Press very much; in our experience it does not always stand for free speech. It may not do much good for the worker; it doesn't do much good to the genuine industrialist either. The fact that it depends more upon advertisers than upon its readers for its income, magnifies enormously whatever danger there may be in the power of the Press.

But we do believe in individual effort, and we say: 'Let the best man win.'

I can't discuss the profit-motive; I don't know what the

phrase means: it is used in too many senses. If it means scheming to get cash—or anything else—in return for no service, it is clearly dishonest, and no one can defend it. But, to some degree, something which can be called a profit-motive enters into almost all human activities, for profit does not necessarily mean cash, and a man rightly expects some kind of individual reward for his individual effort. You cannot pool brains, and you cannot pool aspirations.

I want to say a last word to the uncompromising Socialists among you—if there are any. In the sporting phrase, ‘you are on a good wicket’, and you may soon have a chance of putting your theories into practice. But don’t disdain all those who do not accept your theories in full. You can’t afford to do without the experience and good will of the present leaders of industry. *They* know too much for their knowledge to be wasted with safety, and *you* can’t know enough.

But I don’t believe in neat and permanent solutions of any complexion, and even if I were capable of constructing a complete plan, I should not parade it. Life is growth, and growth is untidy; evolution through genuine compromise is its destined course.

I don’t deny the possibility of my present theories being all wrong, but I deny the possibility of yours—or anyone’s—being all right. What I have tried to do is to suggest a few steps along a road which I believe is the most likely to lead to the goal which we all have in common.

## VII

### EMPLOYER-EMPLOYEE RELATIONSHIPS<sup>1</sup>

THE subject of employer-employee relations is one of infinite width and complexity, and it can be approached in different ways. I can approach it by way of general principles, or I could attempt to formulate a number of detailed proposals.

I am not well qualified to elaborate a number of details, first because for the last twenty years I have not taken a close part in the direct handling of workpeople, and secondly, I think, because my experience and that of my Company has not been altogether representative of industry in general. Since the introduction of 'rayon' over forty years ago we have been working in a field of almost continual expansion and only intermittent competition; that is to say, compared with older and more competitive industries, we have had, in some ways, an easy path.

I sometimes think, when I talk about industry, that I am in danger of being too egotistical; but I fear that I have nothing but my own views to offer you. I represent no organized body of industrial opinion; I can only give you opinions which I have formed in the course of forty-five years of industrial life, together with a few of the principles which I feel bound to obey, and which—to the best of my belief—are reinforced by my practical experience.

So I shall proceed from the top downwards: draw your attention to some of these principles to start with, and follow with a few more or less practical suggestions which may be

<sup>1</sup> An address to the Birmingham Rotary Club, 24 January 1944.

worth your attention. This method appeals to me, because, if one doesn't get the guiding principles right, I feel it is sheer waste of time to discuss details.

I shall begin, then, by striking an idealistic note.

In my belief, the nineteenth-century worship of materialism is the root of all the worst troubles we are suffering from to-day: of industrial unrest and insecurity; of our deadly international warfare; of the alarming decay of real religious feeling.

The explanation is simple. Mankind has been dazzled and bemused by the astounding mechanical and scientific advances of the last 150 years: the growth of material knowledge has outrun the growth of wisdom and character: material wealth has corrupted our judgement. To-day we are like ill-educated, undisciplined children playing in a house full of explosives.

Is it too late to redeem the position? I feel that men all around me are beginning to awaken to the truth; but will it be in time?

Plainly the first thing we all have to acknowledge is that human and spiritual values must take precedence over material and economic values in every walk of life and every layer of society. Not only are human and spiritual values higher in the scale of absolute good, and more in accord with the dearest and deepest aspirations of man, but in the long run they always prove to have more actual fighting strength and longer staying power. Mechanics and economics cannot prevail for long against the imponderable forces of the human spirit—forces which cannot be weighed or measured or always accounted for logically by our limited brains, but which are certain sooner or later to burst all material bonds which irk them.

Some people call such views empty idealism; in truth they are hard-boiled realism compared with the belief that

scientific and economic laws comprise the whole framework of earthly existence—often coupled with the assumption that these laws themselves are finally established and never likely to be superseded.

The nineteenth-century worship of material success resulted in the giving of a kind of sanctification to the economic doctrines of the period—doctrines, I believe, which most of the economists themselves did not regard as final and immutable. For instance, Alfred Marshall said that economic law was not a body of concrete truth, but merely an engine for the discovery of truth. Yet the prosperous manufacturers of the epoch, who acquired wealth and power at a bewildering rate, took these economic theories to be as unchangeable as the laws of the Medes and Persians. They thought that the road had been discovered to an automatic and never-ending increase of national prosperity, by which everyone must finally benefit.

A remnant of this doctrine still colours the minds of a few of the older generation. I often used to meet it in my earlier days; the men who still held it were beginning to be puzzled because it wasn't working out very well; but they had an instinctive belief in it which they thought it almost impious to question; at any rate they thought that it wasn't their business to do so.

Now part of this doctrine was that, economically speaking, labour was a commodity like a raw material or a supply of power—and the economic view was the only one that really counted with them. At one time it had seemed to be a practically inexhaustible commodity, to be drawn upon without difficulty; also it was thought right to purchase it as cheaply as possible.

From the statistical point of view—though many of the aspects were revoltingly inhuman—this worked fairly well for a time, while England kept her long start in the field of

industry, and had something like a monopoly in many classes of exports. But when these conditions began to change and the shoe began to pinch, the weak spots in the whole fantastic edifice were revealed.

I need not go into that any further; at any rate the Industrial Revolution, first of all because of its unhuman and faulty economic theory, and secondly when England began to be overtaken by Nemesis in the shape of foreign competition and a restriction of markets, left behind it a disastrous legacy of slums, malnutrition and ill-health, stunted bodies and minds, congested cities, derelict districts and ruined country. Then the working classes, who were all taught to read after 1870, began to look around them and ask disturbing questions. In truth they had a 'raw deal' in many ways, and they naturally decided in their own minds that the 'master' classes, who had brought about this state of affairs—or at any rate had not prevented it from happening—had no very good claim to the exclusive control of industrial and social development in future.

This, then, brings us right up to the present problem of the relations of employer and employed. First, we must get it firmly fixed in the forefront of our minds that no man—not even the most ignorant—is a mere machine. Incidentally, if the worker *was* a machine, we should always have to rank him as the most costly, most delicate, most unpredictable, and most potentially valuable machine of all those we employ. This machine would have to be studied and cared for more carefully than any other. But, as I said, a human being never is and never can be a machine only; he has *imponderable* qualities of mind and spirit, ever changing and growing, and no engineer can measure these in terms of energy or output, and no economist can assess them in terms of £ s. d. Moreover, his spiritual qualities are, in essence, the same as those of his employers: he has similar will

power, and very often the same aspirations and as much intelligence.

Therefore, as soon as workmen begin to study their conditions and ask questions, it is certain that they will not continue to be happy and efficient workmen unless their minds and spirits as well as their hands can fully and freely serve the industry for which they work.

This means that now they must be helped in every way to take an intelligent and personal interest in that industry: they must be made to feel that they have a real share in it, however subordinate their position: that their abilities will have full scope: that individual initiative and originality will be recognized and encouraged, and, of course, that their services will be justly paid for.

Now I am not going to argue at any length on the question of public versus private ownership. I have no 100 per cent views either way, and I can argue warmly against extremists of either camp—individualist or socialist. On the one hand, I believe that more public control on the higher levels will be permanently needed in future to guide, and, when necessary, restrain powerful private business; I am prepared to see an extension of public ownership in certain directions in one form or another; and I would proceed in that by way of experiment, and be guided by results when it came to considering further steps. On the other hand, I do not believe that industry can be run efficiently by a bureaucracy; the management must be left in the hands of individuals who have been trained in actual business, and they must be given all the executive freedom possible. Also they must be well rewarded for their responsibilities and for successful work. Moreover, I cannot conceive of any government being as bold in undertaking new developments as the enterprising individuals who have built up British industry. A government subject to popular

censure is hardly as likely to risk public money as boldly as a private entrepreneur will risk his own. Boldness and risk must have attractive rewards to aim at: otherwise progress is bound to suffer fatally by the loss of one of its main incentives. This is the truth underlying the theory of private ownership, and, except in the possible case of industries which are practically static, the nation will forget it at its peril.

You will gather by now that I am a believer in the middle way: in evolution rather than revolution: in experiment rather than dogma: above all, in compromise. Sidney Smith said once that nothing of lasting value had ever been accomplished without compromise: for me, compromise is a positive principle and one worth fighting for. There is not, necessarily, anything weak, or muddle-headed or cowardly about it—in fact it sometimes requires great courage. The word is often hurled about as a term of abuse, but it may be abuse to be proud of receiving.

I have been saying, with regard to employers and employed alike, that initiative must be rewarded, and full value paid for services rendered. This means naturally that the rewards of industry cannot be equalized, for merits and capacities differ; some men will receive much more than others. But those who receive much must be quite sure that they give to their industry full value for what they get. Wealth, too, has other responsibilities beyond such a direct one as this; not only must it be fairly earned, but it must be properly used. Those whom fortune favours—and no honest man can acquire wealth without the aid of luck—should use their money not only for their own natural enjoyment, but to advance the cause of civilization. For instance, they can foster art, music, scholarship and science in many valuable and original directions which are apt to frighten public bodies. Then, I think, the value of such men to society will be acknowledged by all.



Now that I have sketched some general ideas and suggested a few guiding principles, I should like to touch on a few of the more practical applications.

You agree, I hope, that workers of every grade should be rewarded according to merit—according to their energy, skill and intelligence. Those whose work can be easily measured should be paid, in part, on output; there are several ways of doing this. But every industry which the country needs should be able to afford at least a decent living wage to every man and woman employed in it; therefore I am in favour of statutory minimum wages—not necessarily the same for every age, every industry, and every district. And I am emphatically in favour of generous state family allowances.

Next, every employer should watch and review all his workers systematically; first, so as to help them over their individual difficulties; but, even more, to ensure that good men receive promotion, and that enterprise and merit are not allowed to wither in darkness. I don't think that we employers have paid enough systematic attention to this in the past; promotion has often been too haphazard and accidental—or it has gone to the most pushing but not necessarily the best man; or it has been influenced by favouritism.

To-day many big firms have so-called 'Labour Managers' of high standing, and one of their first functions should be to see that merit gets promotion. I would go further: when any business has not enough opportunities for all its promising men, it should frankly help them to find openings elsewhere. Co-operations on these lines among employers—a kind of clearing house for brains, so as to ensure that round pegs were not left in square holes—might be of immense benefit to employers, employed, and our whole national efficiency.

Next we must encourage our workers to take a personal interest in the wider technical and commercial aspects of the business they work for, and in its success and its difficulties. They should know something about other processes and departments than their own: they should understand something of the whole chain of technical operations, of the nature and origin of the raw materials, and of the ultimate use of the things they make. When feasible they should be able to change from one department to another. Workers are also entitled to know all about the financial set-up of their business: how the receipts are divided up: how the profits are arrived at: how much goes to suppliers, to wages, to administration, to taxation and to shareholders; in fact, I see no sound reason why they should not be able to know everything except those comparatively few things which cannot be divulged for reasons of plain common sense. The more a man can be interested in all the activities linked to his own job the better, and, especially, in the results of his labour and its value to the community. It may not be easy to organize this kind of internal industrial education, but it can be done, and I believe it is necessary. Only so can we relieve our workers of the deadly feeling that they are no more than cogs in a soulless but selfish machine. Only so can they be expected to take a live and pleasurable interest in their work. Failing this, no man will develop the highest degree of efficiency that is in him, and be saved from deep-rooted discontent—either active or passive.

I used the word 'education', and I will not say much more on that subject, except that it is the duty of employers to do everything in their power to help the young workers by making it as easy as possible to establish effective part-time education. This may include seeing that the youngsters do not suffer by it in pocket. Moreover, this extended education must not be technical only, or indeed chiefly. More

knowledge of what is called 'citizenship', and more instruction in the best use of leisure will benefit the employer as much as better technical training—part of which he ought to provide in his own factory anyway. Education, in more than one sense, is another service which the employer should render to the employed: and it will pay him to do so.

Next we come to the great question of the share of the workers in management. Obviously the better they are educated, in and out of business, the better claim will they have to take a hand in its management, and the more will everybody benefit by this.

You probably know as much as I do, or more, about works councils and production committees. These last embody a very sound and profitable idea, and I hope to see them further tried out in peace-time. They are certainly a step in the direction I want to see followed.

I have also suggested elsewhere that trade unions might be invited to nominate directors to the boards of companies; these directors should have all the powers of ordinary directors, but their special mission should be to explain the workers' interests and difficulties to the board, and conversely to explain the board's problems to the workers. This would be another way of recognizing the right of labour to co-operate.

I have long thought that the worker should be acknowledged as an investor in industry. He invests all he usually possesses—his body, brain and experience—and he cannot change his investment as easily as a shareholder; nor can he spread his risk. It seems to me that he is entitled by plain justice to some representation on the controlling body.

This brings me to the question of profit-sharing, which is attractive in principle, but difficult to apply equitably. I am inclined to think that special bonus shares, with special dividend rights, might be issued to workpeople after a certain

length of service. They should be issued against a nominal payment, and should be redeemable by the company on the death of the worker at a price fixed by arbitration. I cannot think that workers should be encouraged to invest their savings in the business which employs them, for this is indeed to put all their eggs in one basket. I would add that the distribution of workers' shares should never be considered a reason for paying lower wages than would be paid otherwise.

I want to say a word about foremen and managers. These are a very important class of the employed. They hold a powerful but difficult key position, forming, among other things, the channel by which the orders of the employers are transmitted to the workers. I do not think that industry on the whole has given enough thought to their claims and their difficulties in the past. Foremen in particular should be helped to get all the special education which they need for their very difficult job; for after all the direct command of men is possibly the most difficult job in the world—unless it is expected to become utterly soulless and mechanical.

The managerial classes, who should of course be highly trained by one means or another, should have some kind of professional status, commanding all the respect due to a responsible and honourable profession. It would, I think, be excellent if they were as a general thing incorporated into societies of their own, which could often speak for them. The managerial profession should adopt a lofty and disinterested code of ethics, and the members of it should be able for instance and on occasion to refuse to participate in such things as inhumane or unworthy practices, and know that they would have the backing of their whole association in doing so.

Now I have not said much about directors, the last class I shall deal with. To-day, I think, the best of these regard themselves as the servants of the three partners in industry and commerce: the shareholder, the worker, and the consumer. And perhaps they acknowledge one higher authority still: that is, the nation. They do not make high dividends their first consideration: they want to see a well-run business with a stable outlook, and everyone in it justly treated, and this should mean that all but confirmed fault-finders will be reasonably well satisfied. Of course they are proud to be the officers of a well-found and up-to-date ship, and they like to think that their ship is second to none. I think this modern conception of their obligations is quite right; I do not want to belittle the full rights of shareholders, but I think that boards of directors owe a wider allegiance. At any rate, industry cannot be run on the lines of giving as little and getting as much as possible: modern society will not stand for it.

Now I am conscious that in all I have said I have had big business in mind; my experience has lain there. Nevertheless, I do not believe in 'bigness' as a principle; my personal feeling is in favour of the small or medium-sized employer, and at the present time I am helping in an inquiry into the factors which account for the advantages of big size—how far these advantages are logical and inescapable, and how far they are due to favour. In any case, I am sure that they are much exaggerated in popular estimation: 'the bigger the better' applied to industry is almost an axiom with the public—but I should like to know the truth of it.

This does not mean that I go all the way with those who are continually making 'monopoly' their bogey. Though monopolistic practices may sometimes restrict progress—

and that is the most serious charge of all—I am quite sure that modern business combinations have brought great benefits on the whole to the consumer; without them he would not get as good value for his money as he does to-day. The efficient working due to wider co-ordination has resulted in higher efficiency than cut-throat competition.

Nevertheless, small-scale business has great virtues too. First, it allows more direct human relationship between employer and employed; and this is one of the most important things of all. The ‘gaffer’ and his men may, I am told, almost constitute a family party. Secondly, the individual manufacturer who is not tied to a vast co-ordinated programme is in a fine position for trying out individual ideas, and he should excel in novelties and specialities. This kind of thing has made England famous in the past, and I believe it may constitute her future strength. We are a nation of individualists, and we hate every kind of regimentation. In saying this, I am remembering that small and medium-sized factories are still in a vast majority in this country, and that Birmingham is probably their home *par excellence*.

Just one word before I stop. One may be as optimistic and bold-hearted as possible, and yet be unable to affirm that a happy outcome of our approaching industrial difficulties is a certainty. To my mind it depends upon whether the great majority of us—of whatever class or political party—can keep our tempers.

Lately I heard Herbert Agar—the author of that famous book *A Time for Greatness*—address a meeting. He spoke of the perils facing international trade and finance, and the necessity of different countries (especially the United Kingdom and the United States) making their difficulties, and their strangely different points of view, understood to

each other. He said it was a long and tricky business, and needed unwearying patience, and he was not excessively optimistic about success.

I think his words apply, too, to our home industry, and, especially, to the future relations of employers and employed. There will be many genuine misunderstandings on both sides, and misrepresentation and accusations of bad faith; and those who ought to know better may yield to exasperation and follow the dangerous example of provocative opponents.

A strong and steady 'will to progress' is required to make one swallow that kind of instruction; but humility is needed too. I think if I had to put up the first prayer with which to meet the coming industrial dangers, I would pray for generous judgement, for infinite patience, and for strength of mind to keep our tempers.

## VIII

### THE BUSINESS MAN AND THE ECONOMIST<sup>1</sup>

WHEN I was asked to speak to a society named after a famous economist—and, no doubt, to an audience well-versed in the study of economics—I thought it a rather alarming honour. For it is a fact that few business men know much, if anything, about economics, or even understand the language used. Some of those who think they have a smattering don't hesitate to express forcible opinions; and often, I think, their little knowledge is a dangerous thing.

Well, I realize my ignorance, and I don't suppose you expect any economic theory from me. The unkind thought did cross my mind that perhaps I was invited in order to furnish a practical demonstration of the unfitness of business men to voice any opinions on the principles which underlie their activities. However, I ruled out that uncharitable idea; if you find I have nothing to say I feel sure you will be disappointed, and I shall owe you an apology for wasting your time.

Your President, Mr Kaldor, was kind enough to say that I might take the pamphlet written by Miss Joseph and himself, entitled *Economic Reconstruction after the War*, as a starting-point, and tell you how the ideas and conclusions there set forth strike an industrialist.

Let me say at once that the field of dispute—if any—between us will be a small one. I am glad to endorse wholeheartedly almost every word here. I agree with the history

<sup>1</sup> An address to the Marshall Society, Cambridge, 7 May 1943.



of our present ailments as given; I agree with almost all of the diagnosis; I agree with the proposed remedies so far as they go. Moreover, to the best of my knowledge similar views are held by many of the most active leaders of industry—especially men younger than myself; possibly if you took the men in actual executive control of big business, as opposed to the figureheads, you would find the majority to be with me. That may be the too liberal impression of an optimist, but if it is true it is a fact of some importance for the future.

But we must not forget that the great numerical majority of business men are not in what is called 'big business', and one can say briefly that the smaller scope of their affairs does not give that majority the same opportunity of judging the wider and deeper relationships between themselves and the community. Their comparative financial weakness and vulnerability also tend to make them more cautious than the men at the head of big concerns. Politically, economically, and socially, little employers are very important people, but, in spite of the dangers with which private monopoly threatens them, it will be very difficult to convert them to a belief in the necessity of fundamental industrial reorganization; they fear the dangers of official regimentation still more.

It may be worth while for me to emphasize one or two points connected with the question: 'Shall we be poorer after the war?' I never understand those who can only say, 'We shan't be able to afford it', whenever social security, or extended education, and so forth, is mentioned. Leaving out of account the relatively small adjustment needed to balance our imports with our exports (of course I must accept the figures given here) it seems clear to me that what the nation can afford is equal to nothing less than the sum total resulting from what it can produce, however much this may be. The internal distribution of purchasing power is

another question, but what is certain is that the last thing we can afford is to keep potential workers in idleness—even upon the lowest pittance imaginable—rather than increase and utilize their productive powers.

I want to pursue this point a little further. Social security, good health, better education, a decent standard of living—provided the expenditure upon these things is wisely guided—are first-class investments for the nation, business interests included. These things will increase the efficiency of the worker, and result finally in lower costs of production, even after the full charges for such services have been reckoned in. It is nonsense to say that insecurity makes a man work better, or that good education induces idleness. This is merely a shallow theory, and if examples can be cited to support it, they are but exceptions. Neither a contented mind, nor increased knowledge, dissipate energy and initiative; with something to fall back upon a man is all the readier to take risks. True idlers exist in every class, and nothing will ever stop a few of them from ‘getting away with it’; but we must not legislate primarily for exceptions. Moreover, the prestige of the gentleman of leisure, the ‘lead-swinging’, the ‘scrounger’, and the ‘professional beggar’ has fallen very much in the last twenty years or so.

But of course these national investments, as I call them, are very long-range investments, and it must necessarily be many years before they come to full fruition, though I believe that the mere unambiguous official adoption of the principles of the *Beveridge Report*, and of a truly liberal scheme of extended education, would give such a moral fillip that efficiency would rise immediately.

Yet it will be a long time before these investments return their full yield, and meanwhile they will have to be financed. I believe that can be done by a relatively short prolongation of the kind of methods by which the war is financed.

Nobody, I think, expects to let out their belts and have an easy time the moment the war is over; everyone is by now resigned to the idea of continued hard work, continued controls and fairly high taxes. I see no reason to be pessimistic even in that connexion, for, unless we are inconceivably stupid, we have every reason to look forward to a long period of great industrial activity and full employment after the war, bringing with them, I believe, a rising national income. Be that as it may, I feel that the supporters of the *Beveridge Report* have not made enough of its value as a policy of remunerative national investment; those who look upon all such things as wasteful luxuries too often get in the first word.

I want to say something about one form of war-time control: the stabilization of the prices of the basic elements in the cost of living. Certainly this is one of the controls which must be extended for a period after the war, but I can see no reason—at present—why the practice should not become a permanent feature of our economic life. I have seen a good deal of this control in connexion with yarns and fabrics for ‘Utility’ clothing. In spite of much official fumbling, it has worked fairly well in the main; my chief criticism would be that owing chiefly to the ignorance of the government organizations concerned, the standards of quality which they set for ‘Utility’ fabrics are too low, and the prices too high—at any rate in the field which I know best. However, it is only fair to remember that the Government have had to keep many inefficient producers going during the war, partly in order to obtain the needed volume of production without too much dislocation of labour and with existing machinery, and partly to spread the risks of air-attack. At any rate I now believe that one of the permanent future controls of trade and industry

might well be the statutory regulation of the prices of staple articles of consumption and of intermediate materials of manufacture, such as steel, bricks, and standard textile yarns. I cannot but think that such a stabilization of the prices of bulk lines of products would benefit efficient producers themselves in the long run.

Next I come to a vital point on which I think some critics of monopoly have gone rather astray. We hear a great deal about the need for statutory 'maximum prices', or, sometimes, 'standard prices'—meaning by this only one price, which is naturally the maximum and the minimum at the same time. The idea of statutory maximum prices appeals to the popular imagination, which generally envisages monopolists as obtaining a stranglehold and then fleecing the public by raising prices as much as they dare. Doubtless this has been known to happen; nevertheless, I have no doubt whatever that industrial combinations, fundamentally monopolistic in character, have on the average increased industrial efficiency and at the same time lowered prices to the consumer to a greater degree than would have taken place under unrestricted individual competition, for up to a certain point rationalization does result in higher levels of efficiency, and lower costs. In this connexion I would like to say that higher wages do not automatically mean higher costs. The firms which pay the best wages often have the lowest costs of production: they find, too, that wage increases, when sensibly regulated, are more than paid for by increased efficiency; and in this case the worker, as consumer of his own products, benefits directly, his purchasing power actually increases, for the market-price of the article he makes does not rise.

No doubt monopolists might have done still better, and under proper safeguards against abuses they would do so. Yet to attack them on the score of raising prices is in general

to make a false accusation, which misses the real grounds for attack. The gravamen of the charge against monopoly is not that it raises prices without justification, but that it prevents them from falling as they should do. These, of course, are merely two facets of one essential harmful principle, but it is necessary to look at both when devising methods to defeat it, and the most important viewpoint is often passed over. What is essential to progress is—not to apply a top limit to the price of everything, but—not to allow a bottom limit to be fixed which would impede or prohibit the introduction of new and more efficient methods of production and distribution from any quarter.

I agree that it may be desirable to have statutory maximum prices for many staple articles, but what is far more important is to allow no industry—whether under private or public control—to fix its own minimum selling prices for its products, and make them binding upon all its members. Nor should any industry have powers to limit output compulsorily, or to keep out new entrants. All such restrictive powers, which may be necessary at times to avoid sudden dislocation, involving intolerable loss and unemployment, should only be exercised by an overriding permanent statutory body, embracing all industries, representing the whole community, and without any sectional interest either commercial or political.

In passing, I should like to comment upon some words in this pamphlet on *Economic Reconstruction after the War*, which have a bearing here. These are: ‘This...[i.e. the fixing of maximum prices at levels at which only the most efficient could operate]...would...impose a uniform standard of efficiency on the industry’; evidently meaning that this is a desirable thing to do. Note the word ‘uniform’. I fear that fixed maximum prices alone would have *just* the effect described, but that the resulting

'uniform standard of efficiency' would not rise freely, but soon be left far too low; because the efficient producers would have little inducement to do more than get the best possible yield from the existing capital investments which they have to protect (i.e. their buildings and machinery), while the would-be newcomer, not permitted to sell more cheaply and thereby to capture a market, could expect little, if any, reward from the starting of new and as yet unproved methods, with all the attendant risks. Of course, in a rapidly expanding market there is always a chance for a newcomer to capture a bit of it. But take the case of industries where the level of consumption is practically stationary: leaving aside questions of improved quality and service, which are quite a different issue, the newcomer has nothing to offer consumers, *other than lower prices*, to induce them to leave their old suppliers and come to him; and, naturally, if they are already well served, they will not leave their old suppliers. Yet the industry in question may be one which is waiting for lower prices to lead it out of its static position and stimulate potential expansion.

Coming back to the idea of uniformity, I cannot see that this is ever a desirable thing in itself, except under permanently static conditions—and that means when all progress is at an end. All growth results from variety. Everybody agrees that much control and standardization are inevitable after the war, so surely uniformity (for uniformity is not a *comparative*, but an *absolute* term) is the greatest danger we have to fight against.

Another common idea about present-day industry, which is mistaken in my opinion, is that the main inspiration of its leaders is the bald profit-motive; in other words, that the real leaders are not the executive heads of big industrial concerns, but cold-blooded financial powers in the back-

ground, pulling strings and controlling policy merely in the interests of high profits. I don't say that this kind of financial control—an impersonal power quite out of touch with the human and technical sides of industry—*never* exists; it does exist sometimes. But active working heads of businesses on the whole resent it, and, after all, they are the men on the spot; the financial powers are dependent upon them both for guidance and for the execution of policy, and therefore the real power is largely in their hands.

These men, though often large shareholders themselves, do not think chiefly about higher dividends; their highest allegiance is *not* to finance, and so long as they keep the business ship in a well-found condition, and see it paying its way, they think very little about higher rates of profit. Nor do I think that they were ever consciously actuated by the theory of the survival of the fittest, and that artificial restrictions on the workings of that law have, therefore, destroyed the mainspring of efficiency.

No. Live industrial leaders are inspired by the desire which inspires active men in every career; the desire to try out their own ideas, to prove themselves the best men in their profession, to be in command of the best-run and most efficient enterprises, which will contribute to the general well-being and progress of the community as well as to their own reputations. Some of them, of course, may love power for its own sake, but this failing is not peculiar to industry, nor more dangerous in that field than in others.

I think, in reviewing the present state of industry, it is very important to understand all the motives of the men who control it, and not to assume that they must be this, that, or the other upon any theoretical grounds.

Why we (by that I mean manufacturers like myself) believe in private ownership of industry is because we value

above all things the liberty to develop our own ideas, so long, of course, as these are not, in fact, anti-social. We believe that complete government control of industrial development, and, still more, government management of industry, will be a fatal brake upon the wheel of progress. Government departments are the most conservative organisms in existence; they are constitutionally debarred from taking risks; they love uniformity because uniformity means safe and tidy control; and they are incredibly slow in action. All the departments are geared together as parts of a badly designed, snail-like, machine, which is finally subject to the constant application of the most fearsome brake ever invented—Treasury control. Obviously bureaucracy—being composed of human beings—is susceptible of change and amelioration, but it will be a very long time indeed before it changes its character completely, and, whatever form industry takes, we cannot afford to wait for that. In the meantime we must make the best use of the many valuable qualities of our Civil Servants in the functions which they are suited to perform: we must be careful how we extend their powers in other fields, proceeding by the method of trial and error, and, lastly, start giving them an up-to-date education at once.

There are only two criticisms of any importance which I have to make about Mr Kaldor's and Miss Joseph's pamphlet: one is that it misconceives the guiding principles of present-day leaders of industry, and the other that it takes too rosy a view of government efficiency.

I have seen a great deal of government controls and business methods during the past three years, for, in the first place, almost all the regular products of my business come under the 'Utility' clothing controls or are sold to government departments, and secondly we have many laboratories and engineering workshops which are doing odd jobs—both productive and experimental—for service



departments. Although I said just now that the controls work fairly well after a fashion, yet I am horrified by the inefficiency of government methods. Their standards of the cost and the speed of production are astoundingly low, and they all result in the same thing: waste of labour, waste of time, and waste of public money. The last of these we are taught to condone in war, but the waste of the first two is even more disastrous in war than in peace. And you must not think that what I call waste of labour and waste of money means that the workers under direct government management are better treated than under private management: there is much evidence to the contrary.

Before leaving this question—i.e. the part which I think Government should play in the future control of industry—I will outline my present ideas in very few words.

(1) Government should instruct industry as to what the main lines of national policy and development are to be.

(2) It should act as the supreme co-ordinating body between industry and industry, and between industry and the community as a whole. (3) Its *special* function should be to

see that the laws laid down are kept, and above all to check all restrictive influences, except those determined by itself.

I might add that I have no objection, *on principle*, to the competition of Government with private enterprise *provided always* that complete costs of production, bringing in all services and indirect charges, as well as working conditions, were subject to mutual inspection, and to final judgement by an unquestionably impartial authority. Under these conditions I should almost welcome a trial in my own industry. If the government undertaking proved more efficient than we were—well, we should deserve to go to the wall. Yet in spite of all I have said I think that many salutary lessons would be learnt from such trials—and not by government departments alone.

I have no time to talk about advertising and distribution. Distribution calls for thorough investigation to-day, being, I believe, far more inefficient and wasteful of man-power, money and effort than production. But as I know very little about the distributive side of business, and as I am by instinct profoundly distrustful of advertising, with which I have long had a feud, I can hardly sustain an analytical technical argument upon these subjects.

But there is another point I should like to mention, which is seldom considered. It seems generally taken for granted that a consumer—or buyer—has nothing but rights, and a seller nothing but obligations. It seems to me that buyers and sellers are equal and opposite parties to a bargain, and that their rights and obligations are equal too. Although sellers are more easily organized, circumstances often put formidable powers into the hands of the forces of consumption, selfish powers of which they make full use in a way which may be all the more inhuman and impersonal—and disastrous to others—because they are not fully aware of them. It is very largely to defend themselves against these forces that producers have often, when possible, tried to arm themselves with monopolistic powers; whether these powers have always been well-conceived or well-used is another question. There is no time to enlarge now upon the mutual rights and obligations of seller and buyer, but I should like to commend the underlying principles to your attention.

May I finish by saying a word about a certain mistrust—or at any rate misunderstanding—which has existed between economists and practical business men in the past, but which I am happy to think, as the result of recent experiences, is passing away. I think this mistrust was largely a legacy of nineteenth-century mistakes—and on

both sides. Before coming here I looked up Alfred Marshall in the *Encyclopædia Britannica*. I gathered that he broke away to some extent from nineteenth-century economic thought, and I found these words: 'He insisted . . . that economic reasoning and laws were not by themselves a body of concrete truth, but an engine for the discovery of concrete truth.' That encouraged me.

In the past I used to think economists were too inhuman. They seemed to look on men as agglomerations of standard arithmetical units whom they could transfer from one section of life to another as readily as an accountant shifts figures from one to the other side of a balance-sheet.

But to me the immeasurable human factor is the most valuable thing in industry as everywhere else. Apart from the infinite variety of human desires and human capacities, even to-day in industrial craftsmanship, and in administration, there is as much art as science, and art cannot be codified in this field or in any other—including the art of leadership, which is of course of paramount importance. However, as I have just said, business men and economists are beginning to understand each other, and nothing but good can result.

Earlier I protested against the cult of uniformity. I will end by raising my voice against the idea—I don't say that you hold it—that men are fatally controlled by economic forces. It is an idea which I believe to be false, and it paralyses will-power. The illogical impulses of human nature determine most of our actual deeds, and my favourite definition of man is: 'the only non-economic animal.' It is because his imagination enables him to devote his surplus power to things beyond the control of economics that he is man. If he loses his non-economic essence, his future has no further interest for me.

## IX

### AN INDUSTRIALIST'S VIEW OF LABOUR MANAGEMENT<sup>1</sup>

I EXPECT you to tell me far more about labour management than I can tell you. In passing, I do not very much like the term 'labour management'. To me it seems too harsh, and also too wide and too narrow at one and the same time. I think that 'labour' as we commonly use the word is too harsh a term in itself. First of all, it seems to class human beings as inanimate factors in manufacture, like raw materials or motive power; secondly, it tends to establish for ever the division between workmen, managers and owners, whereas I think we should regard them all as members of one family. I think too the term 'labour management' may have a narrowing influence, tending to make it into a highly specialized and exclusive profession, whereas all officers in industry of every grade ought to know something about labour management and exercise it in a greater or lesser degree; finally, I think the word 'management' is too all-embracing to attach to any one individual section of an organization. But I shall have to use the term here, because there is at present no other. In so far as the labour manager is a specialist, I wish he could have a name to classify him akin to that of chemist or engineer.

All this is by the way, and now I want to take a broad look at the movement. The present conception of 'labour management' is really quite new, and I suppose it began to take definite shape after the last war. When I first came into

<sup>1</sup> An address to the Institute of Labour Management, 3 October 1942.

business forty-five years ago such a thing was never heard of, and that is the chief reason why employers of my generation do not know so much about it as they would like to; labour management was not included in their early upbringing. Forty-five years ago—the end of the last century—was, I think, a period when a fundamental change was taking place in the relations between employers and employed, and, as things were developing, there was no avoiding this. I should say that in the 1890's what may be called 'benevolent paternalism' in industry was coming to an end. Although the beginnings of large-scale industry, governed by the inhuman principles of the Manchester School, were unbelievably callous in many places, nevertheless when order had been introduced, many thoughtful employers maintained good human relations with their workers.

If I may be autobiographical, I will recall what my own father used to do when I was a boy, before I myself went into the business. He was the director in charge of a group of three factories a few miles apart, employing, I suppose, about a thousand people each. Although the motor-car had not yet appeared, inter-communication was fairly quick and easy. He certainly knew a great many of the work-people by sight and by name, and was on very friendly terms with all the foremen and engineers. He used to take an active part in the sports and cultural activities of the workers, playing cricket with them in his younger days, taking a keen interest in their gardening, conducting a works choral society himself, and promoting lectures and other gatherings. But even in his days the organization was growing too big to make it possible for one man to have really vital relations with many of those he employed; the fact that it is impossible for the owners of a big business to do so is perhaps the most damaging of all the accusations which can be brought against big business. When I first went to

work, expansion was taking place very rapidly and I was never able to do what my father did. My Company began establishing factories all over the country, and inevitably the directors gradually became impersonal figures to the workpeople. With small numbers of workpeople it is possible for the heads to maintain some kind of personal touch, and then labour management can be an art; with large numbers it can only be carried out as a science. At the end of the last century the art had just about perished, and the science was not yet born. Moreover, industrial leaders at that time did not realize that the art *had* perished, and they hardly thought about the possibility of the science.

To-day what I must perforce call 'labour management' is recognized at last as being as important as any side of industry. Perhaps it is the most important for two reasons. The first reason is that the workman himself is the most important, the most costly, the most delicate, the most various and variable machine which industry has to employ, and he is infinitely more complex and less uniform than any raw material or any intricate chemical compound. Our engineers and technicians study every law which regulates the behaviour of the machines they use; our chemists study the most intimate details of the origin, history and, if I may say so, the life habits of the raw materials. Yet, as regards workmen, the past generations of employers thought that if they provided them with regular work and a good living wage that was all they had to do. They did not acknowledge any further responsibility. In fact if business went wrong and the workman was in danger of being turned off, they did not even admit that much responsibility. Furthermore, they did not realize that closer attention to the needs and idiosyncrasies of the workman would in itself be the soundest possible business proposition from the point of view of efficiency. About the time of which I am speaking they

*began* to think about such things as canteens, medical services and sports grounds, but these were really regarded as extras—almost as charities—which a profitable business might be able to afford out of the goodness of its heart. They did perhaps remotely realize the connexion between these things and efficiency, but they did not then make them an integral part of the industrial set-up or study them scientifically. They also began to think a little about training the workman as a machine, helped by motion studies and so on, just as you might train a steeplechaser and they no doubt thought that the provision of good food in canteens would add to his energy. But they did not generally think much about the horse's stable, although a few of them realized that housing schemes had their virtues. Now the 'labour management' movement has, I trust, completely changed that old confused or careless outlook.

But the second reason why labour management is so important is to my mind a much greater thing even than the first and I would like to stress it as strongly as I possibly can. Employers very largely control the lives of vast numbers of human beings; willy-nilly they cannot help doing so. It is they in effect who largely decide whether these human beings will be happy or miserable, good or bad citizens. To-day they have to realize that the quality of the human beings whom they turn out of the factory doors every evening is even more important than the quality of the product they manufacture, and that the first is almost as much determined by them as is the second. The responsibility is inescapable—just as much under private ownership as it would be under state ownership. It seems to me that the labour manager will be primarily responsible for carrying out this great duty of turning out good human beings. His influence in this matter is direct whereas that of any technician is only indirect.

I hope I have shown you how fully I recognize the importance of your function. I think your influence will stretch further beyond the factory doors than any other influence coming out of industry, and, as the whole is greater than the part, so it is certain that the interests of the State—that is, the whole body of citizens in their spare time as well as in their working hours—are more important than the interests of any industry or any other section of the community. Having said that, I am going to be bold enough to suggest a few warnings. Because your job is so vitally important it behoves you to walk warily, especially in the early years and to take no step which might lead to the movement being discredited, if not wrecked. The job is a vitally important one but the conception to most people is new and therefore it is bound to encounter not only inertia but antagonistic prejudices. The mere fact that the tardy recognition of ‘labour management’ has taken place so suddenly is in itself something of a reproach to industrial executives who, having gone along all their lives without it, may now feel inwardly that they have been either remiss or perhaps rather stupid in not having thought of it before. At any rate you must take human nature as it is, and it is absolutely essential to avoid any suspicion of working *against* existing managers, or of working in competition with them, or of trying to shut them out. You must bring them in and carry them along with you.

Please remember, too, that what the new broom regards as an irrational prejudice may often have been very well-founded originally. I know this well from parallel experiences on another side of industry. When I came back from the most up-to-date textile college in Germany and went into the family works, I found a lot of weaving machinery which looked to me terribly old-fashioned, as it undoubtedly was. I hardly realized that ‘old-fashioned’



does not necessarily mean 'ill-fashioned'. At any rate as soon as I got a little authority I swept away some of the old machinery and replaced it with new, and then found that some of the old gadgets produced a quality of work which was better than I could get off the new machines. Then, of course, I had to try again to get still better machines which would incorporate the advantages of both; this meant a waste of money, time and energy. Another little instance: I well remember seeing weavers doing certain things when running their looms which looked to me quite irrational, and they could not explain to me why they did them. I studied these things and found out that there were very good reasons for what they did. No doubt they had been taught to do them by earlier generations who knew why these methods were devised, and they continued doing them without being able to give any explanation. And in this way many good things are condemned merely because the logical explanation for them is not forthcoming. I mention these instances to show that the defence of existing practices must not be condemned too lightly as mere prejudice; moreover, what I have said about my weavers applies to all grades in industry right up to the higher ranks of management. They will instinctively want to stick to their old ways and sometimes their instincts may be quite sound, but they won't be able to give logical reasons for their actions.

I think it quite possible too that labour management may sometimes be received with a good deal of suspicion on the part of workpeople, if it pushes its investigations and its interest as far as it should ultimately do. I think the labour manager, as I see him in his final development, will have to be intimately acquainted with the social life of the workpeople outside the factory orbit as well as inside it; that is to say, he ought to have a full and sympathetic understanding

of their home-life and other outside interests; but I believe the best type of English workman is usually very jealous of his privacy, and any accusation of 'snooping' must be carefully guarded against. In every field of his activity the labour manager has a very delicate line to tread as the servant of the company and the genuine friend of the worker at the same time. It should be part of his ultimate aim to persuade employers and workers that their interests are the same, and to do all he can in actual fact to make this phrase into a living truth. In this connexion I would like to say that employers who take the right view of their responsibility will admit that the cheapest production figure cannot be the decisive argument in *every* case.

Now another thing which I think you must be very careful about is not to allow labour management to get into a watertight compartment and come to be looked upon as a highly specialized profession which the layman has no right to poke his nose into. I see that Mr Marsden-Jones, in an interesting confidential pamphlet which he circulated last year, suggested very reasonably that labour managers ought to know something about the technical processes of the business in which they are employed. It would help them to do their work better; in fact, local labour managers could hardly do it at all without some such knowledge. But the converse is equally true; technicians and production managers ought to know something about labour management, and it would be a very good thing if they could take short courses in it. In this way I think the position of the two equal grades, labour managers and production managers, would be really equated. When it comes to the captain of the ship—that is, the works manager himself—he should certainly know something about labour management. There can be no question of that, for he must be in constant consultation with the labour manager. The ideal

works manager should know all about his workpeople as well as about his machines. At any rate, he must know enough to be perfectly at home in both fields, and, as we say, 'talk their language'. Looking further ahead, I see no reason why labour managers, if they wished, should not be equally eligible with production managers as candidates for all higher positions.

Now that I have inflicted my general view of the functions of labour management upon you, I would like to touch upon a few details. It strikes me very forcibly that all the duties which are claimed as coming within the province of the labour manager are far too big a burden for any one man, even with clerical assistance, to look after. His duties are said to comprise the following: he should conduct all preliminary negotiations with trade union officials, and take an important part in them right through to the finish. He should study all labour legislation and have it at his finger tips; that is to say, he must be a lawyer. In the case of arbitration proceedings he should represent the company instead of a professional lawyer; that is to say, he must be a trained advocate. He should know all about the medical services in factories, and study the conditions necessary for healthy working, including such highly technical matters as lighting and ventilation. He must in a general sense supervise the canteen service. He must look after another part of what is called 'welfare'; that is to say, the recreation and general amenities of the workers. He should study and prepare great quantities of statistics. He must be a psychologist, and also understand the human interests of the workpeople; that is to say, he must be a humanist too. It is claimed that he should be able to do all these things besides his main jobs of watching the working regulations in the works and engaging new labour. Frankly, the task is

immense. In a large organization with many works, each would have a resident local labour manager, who would be under the general control of a central labour officer. The local men would all need to know a good deal about some of the questions which I have just enumerated, but they could not spend much time upon more than a few of them. Even the central officer would have to be almost a superman to watch and carry out all these functions efficiently, though I do not say it would necessarily be impossible with a very fine organization. But in the case of single factory firms it would certainly be impossible. All I can suggest in such cases is some kind of co-operation between small firms.

The question of negotiations with trade unions is highly important but very delicate. In matters concerning an individual factory it is probably often desirable for foremen (and, still more, departmental managers) to be in contact with the trade union officials. And, of course, no final decision must ever be made without the agreement of the works manager, who certainly ought to know all about important cases and meet the trade union officials personally. In matters affecting more than one factory, the general superintendent of the company or the managing director who is responsible for carrying out the policy of the board must be in close touch with his opposite number in the trade union organization.

Other questions which I suggest for study are:

- (1) The closed shop.
- (2) The collection of trade union dues, inside or outside the works.
- (3) Pension schemes.
- (4) Rewards for new ideas and inventions.

All these are big subjects on which labour managers should be able to give valuable advice. Another wide

question to-day is whether sports clubs and other social and cultural activities should be tied to individual firms and factories, or whether they should be shared with neighbouring organizations. I have heard it said that workers do not always want to see the same people outside the works as they see inside, and that they do not like their lives outside working hours to be organized too paternally by their employers; I should certainly feel that way very strongly myself. We have to consider whether such activities ought not to be organized to-day through community centres. I think that employers have done a great deal of good during the last few decades in promoting factory sports and social organizations; possibly what they have done in this direction should be considered as a first step leading to something better. Of course, I think that factory football and cricket teams and so on are an excellent idea, but these might be attached to wider local associations.

Another thing I should like you to think about is a very technical matter, but is interesting and important. It is quite clear to me that in many businesses the installation of really high-class machinery, which is necessarily very costly, depends upon being able to work it two shifts. If such machinery is working two shifts, many very burdensome overheads are halved. For a given output the plant would be only half the size, so that the interest on capital is halved, as are also the annual sums charged for obsolescence, the capital cost or the rent of buildings, and many maintenance and superintendence charges. I have had the costs worked out carefully in connexion with the introduction of the best automatic looms into our branch of the weaving industry. If these can only be worked one shift, the high overheads involved more than outweigh the saving in labour costs; if they can be worked two shifts the balance is the other way.

For the maintenance of England's position in industry it is essential that our manufacturers should be able to instal the best and most up-to-date machinery, and to throw it out and to replace it with better as soon as it is obsolete. I know that in many cases this is not possible without a two-shift system, specially when competing with countries which work that way. The third shift is not nearly so desirable as the second, and in the United States some manufacturers who have tried three shifts have found that it does not pay, and have discarded it in favour of two. The reasons for this are fairly obvious. With two shifts the overhead charges in question are halved; this saves 50 per cent. With three shifts two-thirds are saved, or 66 per cent; that is to say, the third shift only saves 16 per cent more as compared with the 50 per cent already saved by the second; or one-third. As it is frequently necessary to have minor adjustments and repairs made to running machinery, some stopping times are necessary in any case. Moreover, the Americans say that it is impossible to get as good a type of labour to work the third shift in the small hours of the morning; for these reasons some of them have tried and discarded it. Now, even two-shift working interferes very seriously with the domestic habits of the workpeople, especially women, and it may be very hard on the mother of a family who has to run a home for people who are working different hours. There is no disguising this fact. If nothing is done to help them they have a serious and legitimate grievance. This is a matter where labour managers might help a great deal, and I had this especially in mind when I spoke of the necessity of their understanding the private lives of the workpeople.

Before I finish I want to turn for a moment to something else. I would like to say something about the position of managers as a whole. It is 'up to' employers to-day to

consider very carefully the position of all their different kinds of departmental chiefs and superior technicians, and especially to pay regard to their human feelings. I heard Mr Bevin say not long ago that, in all the pressure for war production, the man he was most sorry for was the factory manager. He said to a group of employers: 'He is the fellow I pity most, for he gets all the kicks and no one hears much about him. We [that is, labour] kick him from below, and you [employers] sit on him from above.'

Mr Bevin was quite right, and unfortunately, owing to the size of many businesses and the wide dispersal of their factories, it is almost as difficult for the heads to keep in touch with their managers as it is for the managers to keep in touch with their individual workers. I feel that something should be done to make the voice of managers more easily heard. Their individual wishes should have more consideration, and their views on factory policy and management might often be made better use of. This again is a very delicate matter. There is no reason why the new type of labour manager whom I envisage should not be sufficiently in the confidence of the other managers to be able to discuss such questions freely with them and perhaps help them to make themselves heard.

CO-OPERATION IN INDUSTRY<sup>1</sup>

CO-OPERATION in Industry' is a big subject; I rashly chose the title myself, and the more I now look at it the bigger it seems to be. Let us first consider what we mean by industry, and then see who there is to co-operate with. By industry I think we generally mean the whole chain of activities, which lay hold of the raw materials of nature, convert them into manufactured goods, and offer these for the use of mankind.

In the more rudimentary industries, such as agriculture and mining, the middle stage—that is, manufacture—is omitted: the miner hews a lump of coal, the farmer pulls up a turnip, and these are offered to the public just as they are.

My own experience is in manufacture, and all I say will of course be derived directly or indirectly from that experience. Let us for the moment take all those actively engaged in a manufacturing industry as the united members of a co-operative organization, and consider what the *outside* forces are with which it must co-operate. On the one hand, there are the directly controlling powers—the law, the Government, and the shareholders. On the other hand, there are those whom the industry serves with its products: the immediate purchasers, and, ultimately, the consuming public. Embracing all these is the whole community, with whom the industry must live in harmony, and whose widest interests it must serve if it is to justify its existence and survive.

<sup>1</sup> An address to the Confederation of Management Associations, London, 14 May 1943.



On the other hand, we have co-operation between the different internal sections of a business. These can be divided both vertically into different branches—as an army is divided into infantry, artillery, transport, etc., and also horizontally into grades—as again in the army, which consists of the rank-and-file and all grades of N.C.O.'s and officers up to the General Staff and the Commander-in-Chief. Between all these sections, complete understanding and unity of purpose—both in the horizontal and vertical directions—are necessary for the fullest efficiency.

I don't think it is of much use to deal with internal co-operation until we have considered the outside relationships of industry—both its immediate contacts and its purpose in our whole scheme of civilization. Those engaged in it will never co-operate as intelligently and wholeheartedly as they might do unless they have a clear and inspiring idea of what they are working for.

I would like to begin by saying that one way in which we can all co-operate is by breaking down barriers of jealousy, suspicion and secrecy, and by giving all those with whom we have to work as much information as we can about the nature, purposes and results of the undertakings in which we are engaged. Industry should tell the Government all its secrets; boards of directors should give shareholders full and comprehensible financial information, and—what is equally important—they should freely explain their policy to their managers; lastly, workers should be told all about the design and the uses of articles which they help to make, and should know just how the money for which those articles are sold is divided up—how much goes for raw materials, how much to labour and administration, how much in taxation, how much to shareholders, etc. I only make one minor exception relating to technical secrets. I think that those who make new inventions, and those who

take risks in developing them are probably entitled to the protection of secrecy for a certain time, in order to give them a chance of getting some reward for their initiative—though even here I can conceive of ways of rewarding inventors by other methods than through the granting of exclusive rights. Yet I think it is probably more in the interests of ultimate sound development to allow inventions a certain time to incubate and grow in relative darkness than to throw them at oncë into the scramble of commercial competition, with its hankering after quick returns.

Still, in general, to throw light into every corner is the first step to true co-operation. Once we have made it clear that we are concealing nothing, we can discuss both our aims and our methods with all those concerned, in full mutual trust.

Seeing that in a country like England industry, in times of peace, is the most vitally important of all its practical activities, our ideas of co-operation must necessarily embrace co-operation with the whole community. Industry exists as an answer to the needs of the community, and also depends upon the community's power to satisfy these needs—that is, upon its purchasing power. There is a chain of alternating cause and effect here, in the economic field, which I won't go into.

Industry has grown in modern times because science has discovered or divined ways of satisfying latent needs in advance of the growth of those needs. That is all to the good so long as those needs are sound and genuine, but I think that the artificial stimulation of needs is often directed to pernicious ends, and, more often still, is too short-sighted and economically unsound in consequence.

In any case we have to satisfy the public's needs, and so our very first duty is to give them good value for their money, and we should all co-operate to that end. That is first and foremost a question of good design and materials,

and managers should be very jealous of their reputation in that direction. Then we must encourage the workman to take a pride in his job, and make him feel that every bit of extra quality he puts into his work does a good turn to his fellow-men. There is an enormous amount to be done by this kind of stimulating education; industry has hardly scratched the surface of it, except recently in connexion with the making of munitions, where I believe the results have sometimes been striking. \*

Besides trying to give good value—which means firstly good quality—we must see that we do not injure other people through the way in which we carry on our industries—we have to co-operate with our neighbours in the preservation and cultivation of amenities. It is my firm opinion that the Government should definitely control the location of industry, both for this purpose and for the protection of agriculture; and also in connexion with proper housing for workers. But that is beyond my present scope, and I will not dwell on it now.

But there is another side to our obligation to the community which is very much to the point; in fact it is deeply involved with the heart of my subject, and enwraps it from both sides. A very large section of the community with whom we have to co-operate outside consists of the same people as our own workers—with their families and dependants—with whom we have to co-operate inside our own works too. The towns and districts where our works are situated are largely inhabited by them. They are our fellow-citizens, and they are also large consumers, if not of our own products, at least of the products of other industries included in that whole interlocking economic system with which our fortunes are indissolubly linked.

Some months ago I spoke to one of your confederated associations—The Institute of Labour Management—and

I told those present that I rated the importance of their profession very high because in my opinion the quality of the workpeople—as human beings as much as workers—employed in a factory was even more important to us all than the quality of the articles manufactured and, if labour management pursued its highest aims, the quality of the workpeople would be enormously affected. Now let me say that although ‘labour management’ is a new and rather special branch of management—and one which I welcome—all industrial managers should be to some extent efficient labour managers.

The ‘labour management’ movement has grown in response to the increasing size and complexity of industry, and the loss of the old personal touch between employers and workers. Dealing with labour is now a science as well as an art, and needs a specialized study. But all of us in industry have to realize to-day that the workman is the most delicate, incomprehensible and important machine which exists, and as such he needs as much care and attention as any other machine, or more. That is putting it at its lowest; my own firm opinion is that men are of infinitely greater importance than machinery, and there can be no true co-operation in industry until we all recognize that fundamental truth.

This means that all managers—and for the moment I include all executive officers up to managing directors and chairmen of companies—must make themselves realize and sympathize with the natural feelings, needs and aspirations of their workers, not only because it is the only possible thing for a decent man to do once the idea has crossed his mind, but because there is no other road to industrial efficiency.

While I entirely agree with Sir Stafford Cripps about the great and growing importance of labour management, or

personnel management, to-day I think that all of us who are engaged in business administration—even such cool-headed and cool-blooded men as accountants and statisticians—must see to it that we *never* lose sight of the *human* factor.

May I say a word here about the idea of management as an honourable profession with recognized professional status. I know that is an idea which actuates many of you—otherwise you would not belong to your various associations. It is a movement of the utmost importance. Two things are necessary if industry is to live and flourish: one is to give the worker a pride and interest in his job, and make him feel himself a partner in it; the other is to ensure that the proper status of the manager is fully recognized. Managers should be enrolled, in one way or another, as members of an honourable profession—not necessarily of one profession: science, technique, production, labour or personnel management, administration, salesmanship, statistics, accountancy, etc., must all be represented. Some of these branches, such as accountancy, already have high and universally known professional status.

The most obvious duty of a professional body is to protect its members, and especially to see that the world treats them with due respect. But it has another and perhaps bigger duty, and that is to see that its members adhere to a code of ethics drawn up in the interests of the community: that they do not forget the motto *noblesse oblige*. Doctors who remember the Hippocratic oath furnish a great example of this spirit.

Besides the obvious duty of serving their employers honourably and fulfilling their bond, managers whose hands are strengthened by belonging to a well-recognized and respected profession, with a high ethical code, can exercise an enormous influence for good in any industry in

which they are employed. They can discountenance shoddy quality and bad design, and so ensure that the customer gets good value for his money; they can object to dishonest advertisement and other commercial sharp-practices, and—above all—they can see that the workers in their charge are treated like dignified human beings. This, I think, is co-operation in industry of the very first order.

There is, I think, only one thing to beware of in making management a formal profession. The qualifications for membership must not be too rigid or too scholastic. Letters after one's name signifying definite scientific or professional attainments mean something very useful, but entry into a managerial profession must not only depend upon passing examinations in early life. It is essential that the ranks of fully certificated managers should be freely open to recruits from lower grades in industry all through life. Service should, in one way or another, qualify able men for enrolment in the profession.

Coming back again to the workman in industry, we must remember that he has moved very far since the middle of the last century; popular education, the huge growth of books and newspapers, and easy communications have enormously increased his curiosity and mental scope, in step with a nearly continuous rise in the standard of living, always increasing his needs and desires, both material and immaterial.

I hold that it is impossible for any man to do his best without a certain degree of contentment for some sides of his mind and nature. He must feel that his abilities have full scope, that they are permitted and helped to grow, that the road to advancement is continually open to him to the extent that his abilities entitle him to it, and that in one way or another his worth will be recognized. He must also feel that his efforts are of value to his fellow-creatures. He must

know, too, that the same road will be open to his children, and that his family can live in decent human conditions, and with reasonable security. This of course means good wages and adequate provision for illness, unemployment and old age. Yet I don't believe that the money reward is the main incentive to the best class of workers—and that is, the most active and capable men—any more than it is to the best leaders of industry. This means that we must do our best to develop several things. We must co-operate with education authorities in providing the best possible technical education, at first rather wide in scope and more specialized later, so as to fit the man for his job, and, if possible, for more than one job. Then, through works councils, production committees and in other ways we must try to tell our workers all they can reasonably want to know—and that is a great deal—about the technical, administrative, and even the financial side of industry, as well as the origin and destination of its products. More important still is to encourage workmen to use their brains and apply them even outside the strict confines of their own routine job. We must welcome their ideas, giving them serious consideration unless they are obviously futile, and let the men who produce them feel that these ideas will be given a practical trial and made full use of if they prove successful. Next, we must devise means of making the ladder of advancement from one grade to another accessible to all without fear or favour, and we must allow for a certain lateral movement and interchange of knowledge and personnel between one branch or department of an industry and the others. Men do not always find their most suitable niche at the first attempt; further, if a department is reduced, the men in it should—so far as is humanly possible—have been made fit, by their training, to enter another. In any case we must do all we can to vary the monotony of work; this is not an easy thing with mass

production, but it can be done. It is particularly important for young people.

It goes without saying that we must always see that working conditions, medical services, canteens, etc., are as good as possible. We must also help our workers with their sports and other leisure occupations, doing our best to find sustenance for their minds as well as their bodies. We need not do this too paternally—any kind of dictation will naturally be resented—but we must guide and assist as wisely and unobtrusively as possible.

In speaking of co-operation with workers I have not yet mentioned one most important subject: that is, our relations with trade unions. I believe in the fullest possible co-operation with them. The trade union is the best machine devised for defending and representing the interests of the workers, and for conducting all negotiations with the employers relating to things like rates of pay, hours of work, conditions of employment and many others; with mutual trust there is no reason why the relationship should not be a happy one. Trade unions should also take an interest in all matters of industrial education. I will not enlarge on this subject, but I am in favour of the full recognition of unions and extended co-operation with them.

I have not dealt with two rather more specialized matters:

One is—The best method of rewarding workmen and others for good ideas. This wants careful handling, but it is important that the man with a bright idea should have proof that it is really valued. Often, probably, the best reward is the chance of promotion. But money rewards must not be excluded; these must not be niggardly, yet not excessive in minor cases. Yet settling the amount is a very delicate matter, for a workman's idea may be worth as much as a valuable patent. Again, ideas are usually the product



of more than one brain, and it is hard to be sure who should have the credit for them.

The other matter is—Profit-sharing or co-partnership. There have been many difficulties here in the past, and the variations suggested have been many: the scope of co-partnership can either be very wide indeed or little more than nominal. But all industrialists ought to give it close attention. That again is too big a subject to go into in detail.

Now, having dealt with the co-operation between management and workers, I will split the former into two grades—that is, managers and boards of directors—and say a little more from that angle.

We are often told to-day that managers are the lords of the future, and that they will be the spearhead of an industrial revolution. I won't prophesy about that. I have taken rather a different line, and said that managers and executive directors stand side by side in industry, and that *they* together are its effective leaders already. We have heard a lot lately about the control of industry by remote and impersonal—but selfish—financial powers, occupying the position of absentee landlords, and exploiting industry with an inhuman and tyrannical hand. That is the kind of control which I should resent very much myself, and to which I have strong objections in principle. Yet I believe that the size of that boggy is much exaggerated; the remote financial wire-pullers are dependent upon the expert and executive men-on-the-spot, both for guidance and for the carrying out of policy; the real power is with these.

In really live companies the boards are chiefly composed of technical and commercial men who have risen from the ranks of managers and experts, often beginning at the bottom. These directors, in their aims and their habits of thought, are closely allied to their technical and administrative staffs, and their inspiration—chiefly the wish to see

the job well done and the show well run—is the same. Still, it is perfectly true that it is not easy in large complex businesses for the directors to remain in as close touch with the managers as they ought to be, and sometimes, I fear, the interests of the latter are forgotten and their feelings ignored. This should not be; it is due to defective organization, haphazard growth or want of understanding and foresight. The subject impresses me very much with its importance. I have already suggested that we do not always make the best use of our workmen. Do we directors make the best use of our managers, and do we give them sufficient openings for promotion? My own feeling is that over-centralization in industry is the cause of a weakness here: it breeds too many specialists, and some men find specialization a blind alley. Decentralization may be the remedy, but we still have to find a way of accomplishing this without loss of economic efficiency.

Now I come to the final stage—The relationship between working industry and the powers that be. The first of these powers is the shareholders.

To me the ideal shareholder is the one who wants steady dividends—not high, but secure. He is the man who invests his savings and wants a reasonable and reliable return on his money, with a possible chance of appreciation in the value of his shares. I think he is entitled to a fair rate of interest proportionate to his risk; so long as he gets that he has no reason for complaint and virtually becomes a sleeping partner. His further co-operation is only needed if he is asked for more capital. But I think shareholders should have balance-sheets and reports which they can understand, and which reveal the real strength or weakness of their company. That helps to protect them against speculators.

I have no use for speculators in the shares of established businesses: they are a nuisance and a menace. When—on

the other hand—people put money into a new and unknown development and take a serious risk, they are entitled to a substantial reward when the venture comes off—always provided that its object is one which will create genuine new values and be useful to the community.

Last of all comes the question of co-operation between Industry and Government. I am not one of those who believe in the speedy nationalization of everything—nor do I believe that it is only a question of time. Although I think that national ownership will go further, I do not think it will ever be all-embracing. I am quite certain that that would be disastrous for the nation, and tentative experiences will probably show this so clearly that the idea will die out.

But I do believe in more government control than we had before the war. I have already said that business should have no secrets from Government, and I mean that literally: that is the necessary foundation for public confidence. The corollary to this is that the accounts of all industrial undertakings owned or controlled by the Government should be kept on standard lines and open to public inspection.

Next, I believe the main functions of Government in relation to industry should be:

(1) To give general guidance to industrial development in accordance with national interests. Some industries should be spurred on or even assisted, some should be let alone, others perhaps discouraged. Such guidance should be given under the highest possible, disinterested scientific and economic advice.

(2) To make sure that industry never takes any measures to impede the development of new ideas, even if they threaten quite legitimate existing interests, except by order of the Government itself and under Government safeguards.

(3) To see that the law is kept in spirit as well as in letter.

(4) To collect all statistics needed from the whole of industry, and to keep an open clearing-house of information.

The Government might experiment further in the field of direct production; so long as comparisons between Government and private enterprises were not weighted either way, and all costs, etc., were open to mutual inspection and impartial judgement, much valuable knowledge would be gained.

What I am sure would be fatal to national efficiency would be for Government to take over and run much productive industry without long trial. Personal experience of Whitehall methods during the past four years leaves me under no illusion about that. These timid, dilatory and costly methods are so deeply embedded that I believe it will take countless years to eliminate them—for in one respect they are certainly not inefficient: their own peculiar interest is far more strongly vested than any other known to me!

Yet, I believe if the Government would exercise its functions along the lines which I have indicated, freely helping industry with its advice, and strictly checking abuses when need be, co-operation between Government and Industry would bear much valuable fruit, and industrialists should welcome it with open arms.

I am not a specialist in any direction; I have merely covered a good deal of ground with ideas which are the result of a lifetime spent in one particular business—that is, textiles—but I hope some of them may have wider application.